FRANCHISE DISCLOSURE DOCUMENT

COIT SERVICES, INC.
a California corporation
897 Hinckley Road
Burlingame, CA 94010
(650) 697-5471
Email: franchise@coit.com
Website URL: www.coit.com

A COIT franchisee sells cleaning services for residential and commercial window coverings, carpets, area rugs, upholstery, air ducts, tile and grout ("Core Services"). Some franchisees also offer disaster restoration services ("Restoration Services") and/or stone cleaning and restoration services ("Stone Restore Services") and wood floor services ("Wood Floor Services").

The total investment necessary to begin operation of a COIT Core Services franchise is: $63,188 to $191,988 for a new franchise; $40,596 to $150,000 for a conversion franchise; and $45,997 to $201,500 for a plant conversion franchise. These amounts include $24,000 to $60,000 (depending on the number of households in the territory) that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Restoration Services is $34,774 to $58,788. This includes $0 to $8,500 that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Stone Restore Services is $25,500 to $45,000. This includes $0 to $8,500 that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Wood Floor Services is $15,500 to $32,000. This includes $0 to $3,500 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Doug Kitzmiller at 897 Hinckley Road, Burlingame, California 94010, (800) 243-8797 (ext. 2004).

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: June 28, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit T.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit U includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only COIT Services, Inc. business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be COIT Services, Inc. franchisee?	Item 20 or Exhibit T lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit S.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in State where franchised business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in State where franchised business is located than in your own state.

2. **<u>Mandatory Minimum Payments</u>.** You must make minimum royalty, and other payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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EXHIBITS

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor. To simplify the language in this disclosure document, "COIT," "we" or "us" means COIT Services, Inc., the franchisor. "You" means the business entity that buys the franchise, and includes each partner, shareholder, member, or other owner of that entity.

COIT is a California corporation formed on December 30, 1966 as COIT Drapery Cleaners, Inc. We changed our name to COIT Services, Inc. in 1993. We do business as COIT, COIT Drapery and Carpet Cleaners, COIT Carpet Cleaners, COIT Services, and COIT Cleaning and Restoration. We also operate some locations that we acquired by purchasing competitors, and these locations also do business under the names described below under "Company-owned Locations." Our principal office is located at 897 Hinckley Road, Burlingame, California 94010. Our agents for service are listed in Exhibit S.

Predecessors. We have not acquired the major portion of our assets from anyone within the last 10 years. Our late founder, Louis J. Kearn, started COIT Drapery Cleaners in 1950 as a sole proprietor and in 1966 formed COIT Drapery Cleaners, Inc. to operate the business.

Parents and Affiliates. We have no parents. We have no affiliates that provide any products or services to COIT franchisees or offer franchises in any other line of business.

Company-owned Locations. Since 1950, we have continuously operated company-owned locations in the United States under the COIT trade name and trademarks. These locations offer services similar to the franchised business described in this disclosure document. Some of our company-owned locations also operate under the names "Weldon Bros.", "VACCO" and "Merle West" in Southern California, California; and "Olympia Restoration" in Northern California. These trade names were used by these locations before we acquired them. Currently, some of these locations operate predominantly under the COIT trade name and trademarks, and others operate predominantly under their former trade name but identify themselves as a "COIT Services Company." We plan to continue to gradually phase out the use of these alternate trade names.

A Washington corporation named Superior/COIT, Inc., located at 16750 Woodinville Redmond Road NE – Bldg. C-103, Woodinville, WA 98072, is a wholly-owned subsidiary of COIT that offers services similar to the Disaster Restoration Services offered by the franchised business. Superior/COIT operates under the trade name SUPERIOR CLEANING AND RESTORATION in northwestern Washington, but also identifies itself as a "COIT Services Company." Most of our company-owned or affiliate-owned locations were acquired through purchase.

Our Business and the Franchise Offered. All COIT franchised businesses specialize in high quality residential and commercial cleaning. The "Core Services" offered by these businesses currently include cleaning window coverings, carpets, area rugs, upholstery, air ducts, tile and grout. We offer the franchise for Core Services under the form of franchise agreement attached to this disclosure document (the "Franchise Agreement"). COIT franchised businesses must provide all of the Core Services, unless we consent in writing. We may offer qualified candidates the additional right to provide Disaster Restoration services, which are services for Disaster Restoration and cleaning of dwellings, other structures, and their contents after damage by fire, smoke, water, sewage and other causes. We offer the right to provide these "Disaster Restoration Services" under an addendum to the Franchise Agreement attached to this disclosure document.

Further, we may offer qualified candidates the additional right to provide "COIT Stone Restore" services. COIT Stone Restore offers cleaning, polishing, sealing, restoring, and honing marble, granite, limestone, terrazzo, and other natural stone products as well as concrete used for floors, walls, baths, countertops and other surfaces. We offer the right to provide COIT Stone Restore services under an addendum to the Franchise Agreement attached to this disclosure document. Although we currently have no plans to do so, we have the right to develop and adopt a separate brand for COIT Stone Restore. If we do, you may be required to adopt and use different service marks, trade names, trade dress, and other commercial symbols to identify your COIT Stone Restore services, and/or to establish and maintain a separate business entity to offer and provide the COIT Stone Restore services.

We may also offer qualified candidates the additional right to provide "Wood Floor" services. COIT offers refinishing, repairing, and restoring of wood floor, includes certain processes for cleaning, refinishing, coating, and maintaining wood surfaces used for residential, commercial, and sports floors (the "Wood Floor Services") under an addendum to the Franchise Agreement attached to this disclosure document. We may adopt a separate brand for Wood Floor services. You are required to adopt and use different service marks, trade names, trade dress, and other commercial symbols to identify your Wood Floor services.

We may continue to develop new services. We are not obligated to develop or offer you the right to provide new services, but if they are offered, we may impose requirements in addition to those described in this disclosure document, which may include, among others, completion of additional training, payment of additional fees and the execution of additional agreements.

We offer franchises to those who want to start a new business and to those wanting to convert an existing cleaning business into a COIT franchise. Conversion franchisees sign the form of Conversion Addendum.

You will offer services and products to customers on a pick-up and delivery basis (for window coverings, area rugs and other removable items) or on-site at the customer's location. You may operate the franchise (sometimes called "the franchised business") in combination with another garment cleaning business provided the business does not compete with your COIT franchise and you keep that business independent from the franchised business by using separate names, signs, bookkeeping and administrative procedures. If you own an existing cleaning plant, you may modify it, if necessary, to include window covering cleaning and other required equipment. Otherwise, you would operate strictly as a mobile cleaning service unit with pick-up and delivery of window coverings on-site. In that case, you would obtain window covering cleaning services from the nearest COIT cleaning plant, or if none is located in your area, from a third party cleaning plant or by other means.

If you sign a Disaster Restoration Addendum, COIT Stone Restore Addendum, and/or a Wood Floor Addendum then the "franchised business" will include Restoration, COIT Stone Restore, and/or Wood Floor services as well as Core Services.

Our franchises use specialized business formats and systems, called the "System," which we have the right to modify. Our franchises use certain service marks and other commercial symbols of ours called the "Marks."

<u>Industry-Specific Regulations</u>. Cleaning plants are affected by the Clean Air Act, the Resource Conservation and Recovery Act and the Comprehensive Environmental Response Compensation and Liability Act, which are administered by the Environmental Protection Agency (the "EPA"). Additionally, there are OSHA regulations, and there may also be state regulations applicable to the

franchised business. These regulations may, among other things, require you to abide by certain standards for the use and disposal of certain chemical compounds, to only purchase equipment meeting certain specifications and to undertake other measures for the protection of employees and the public. If you will be operating a cleaning plant, you should contact the EPA, OSHA and local and state authorities for detailed information on these requirements. Carpet cleaning generates wastewater. There are many local and state regulations regarding wastewater disposal. You should check with local and state authorities to get more information on requirements. In addition, some Disaster Restoration Services projects will include repair work to structures. Your state may require this work to be performed by someone having a general contractor's license. You will need to determine whether a contractor's license is required and, in that case, if you do not have a general contractor's license, you will need to subcontract this part of the work to someone who does. You should also check for any bonding requirements that may apply in your state. There are other laws and regulations of general applicability that could impact your operation.

Disaster Restoration and construction-type work is regulated and controlled by environmental laws and industry standards, including, but not limited to, NESHAP (National Emissions Standards for Hazardous Air Pollutants), IICRC (Institute of Inspection, Cleaning and Restoration Certification) and OSHA regulations, as well as those laws and regulations surrounding work in buildings with lead paint and mold remediation laws. Some products used in our System contain ingredients regulated by the Environmental Protection Agency (EPA). Certain states may require licensing and certification requirements for applying disinfectants, sanitizers, general demolition, building material removal and other anti-microbial that are EPA registered.

Franchisees doing Air-duct Cleaning should follow Assessment, Cleaning, and Restoration of HVAC Systems (ACR 2021) industry standard that has evolved from guidelines, industry standards of care, and research originating from the National Air Duct Cleaners Association (NADCA) along with other organizations dedicated to HVAC system hygiene, remediation and restoration. This standard establishes criteria for evaluating the cleanliness of HVAC system components, and for cleaning and restoring systems to a specific cleanliness level.

<u>General Description of the Market and Competition</u>. Increased demand for in-home services will result from the growth of two income families who have adequate funds and limited time to spend. Your business will be a mix of residential and commercial. Many other local, regional and national retail and commercial cleaning businesses, some of which are franchised, compete aggressively for the same customers and business as the franchised business. There is seasonality in the specialty cleaning business. We have diversified services to offset seasonality. However, severe weather, extreme cold, extreme heat, snowstorms or rain can have a significant negative impact on sales of Core Services.

The demand for the services can fluctuate with the seasons and between geographic areas. The market would also be impacted by the occurrence of natural disasters and catastrophic events in your market area that would temporarily increase demand for the services. Disaster Restoration Services are marketed to insurance companies and claims adjusters as well as to residential and commercial customers. Your competition in Disaster Restoration Services will include nationally franchised and independent regional or local companies that offer similar services.

. The natural stone cleaning and restoring segment is a highly fragmented service business, and you will compete primarily with local independent businesses. You will market your COIT Stone Restore services to residential and commercial customers.

The wood floor service segment is populated with both local and national businesses, some of which are franchised. You will market your Wood Floor services to commercial and residential consumers.

Prior Business Experience. We have operated company-owned locations, and have offered COIT franchises, since our incorporation in 1966. Louis Kearn sold the first COIT franchise in 1963. As of the effective date of this disclosure document there were 50 franchises in operation in the United States, Canada and Thailand. We do not and have not offered franchises in any other line of business.

ITEM 2. BUSINESS EXPERIENCE

President and Chief Executive Officer: Robert L. Kearn

Bob has been our President since August of 1993.

Chief Financial Officer: Douglas W. Kitzmiller

Doug has been our Chief Financial Officer since June 2005.

Chief Marketing Officer: Sara Arlia

Sara is and has been our Chief Marketing Officer since October 2023. Previously Sara was Vice President of Marketing in September 2017 to October 2023.

Vice President of Information Systems: Brent Jenkins

Brent re-joined us as our Vice President of Information Systems in May 2008.

Executive Vice President: Tyler Kearn

Tyler rejoined us as Vice President of Strategic Development in August of 2018.

Vice President Operations: Richard Burton, CFE

Richard is our Vice President of Operations. Previously, Richard was Director of Franchising from September 2009 to March 2020.

Vice President Franchising, Adam Lieberman

Adam joined us as Vice President Franchising in August 2022. Previously, Adam consulted for two organizations, Tierra Encantada and Face Foundrie from 2021-2022 located at 2700 30th Ave S, Minneapolis, MN 55406. Prior to that, Adam was the Vice President of Operations and Portfolio Management for Dickey's Barbecue Restaurants, Inc. from 2016-2021 located at 4514 Cole Avenue Suite 1015 Dallas, TX 75205.

Franchise Development Manager, Wesley Coy Perry

Wesley joined us as a Franchise Development Manager in June 2016.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this section.

ITEM 5. INITIAL FEES

Core Services. All COIT franchised businesses must provide all of the Core Services. You will pay an initial nonrefundable franchise fee upon signing the Franchise Agreement calculated as follows: a $25,000 base fee plus four cents ($0.05) per household in the Territory you are purchasing. The Initial Fee you pay for Core Service is not fundable. The range of the initial franchise fee is between $24,000 and $40,000 assuming, at the low end, a territory with 100,000 households and, at the high end, 500,000 households. Household numbers are determined by reference to published U.S. Census Bureau figures. The typical territory contains at least 100,000 households.

Restoration Services. If you are signing the Restoration Addendum, you will pay an additional fee of $5,000, which is nonrefundable. You must also pay us for the initial Restoration Services training. You or the person responsible for the day-to-day operation of your Restoration Services business must attend. The cost training cost will vary but will not exceed range between $0 and $3,500 per person. The Initial Fee you pay for Restoration Services and Restoration Services training is not refundable. You will also be responsible for travel, lodging, and other costs to attend the training. See Item 11 for a more detailed description of the training.

COIT Stone Restore. If you are signing the COIT Stone Restore Addendum, you will pay an additional fee of $5,000, which is nonrefundable. You must also pay us for the initial COIT Stone Restore training. You or the person responsible for the day-to-day operation of your COIT Stone Restore business must attend. The cost training cost will range between $0 and $3,500 per person. The Initial Fee you pay for Stone Restore and Stone Restore training is not refundable. You will also be responsible for travel, lodging, and other costs to attend the training. See Item 11 for a more detailed description of the training.

Wood Floor Services. If you are signing the Wood Floor Addendum there is no additional fee. You must pay us for the initial Wood Floor training. You or the person responsible for the day-to-day operation of your Wood Floor business must attend. The cost training cost will vary but will not exceed range between $0 and $3,500 per person, which is nonrefundable. The monies you pay for Wood Floor Services training is not refundable. You will also be responsible for travel, lodging, and other costs to attend the training. See Item 11 for a more detailed description of the training.

You will have the same Territory for all services, Core, Restoration, COIT Stone Restore, and Wood Floor.

For existing COIT franchisees, we currently waive the additional franchise fee for the Restoration Addendum, COIT Stone Restore Addendum and Wood Floor Addendum. We have the right to discontinue this offer at any time.

Small Market Franchise

For Territories under 80,000 households, you will pay an initial franchise fee upon signing the Franchise Agreement calculated as follows: a $15,000 base fee plus eight cents ($0.08) per household in the Territory you are purchasing. The initial franchise fee for Small Market Franchises is not refundable.

Discount for Multiple COIT Franchises and Additional Franchises.

If you already own and operate one or more COIT Franchises with different territories you may enter into another franchise agreement for another Territory if you are in Good Standing under all of your other COIT franchise agreements. The Initial Franchise Fee payable by you will be discounted by 30% off the Base Fee plus four cents (4¢) per household in the Territory for territories over 80,000 households, and eight cents (8¢) per household for a Small Market Franchise with a Territory under 80,000 households. We reserve the right to sell or decline to sell an additional franchise to you at our sole discretion.

Franchisee Referral Discount Program.

COIT offers a franchise referral program to existing COIT Franchisees. If you already own and operate one or more COIT Franchises and you refer a franchise candidate to COIT, COIT will compensate you $5,000 for the referral, upon that candidate's successful execution of a new COIT franchise agreement. We reserve the right to sell or decline to sell a franchise to the referral candidate at our sole discretion.

Franchisee Ownership Program.

Employees earn $5,000 per year of employment that vests after 36 months of service which can be used towards the franchise fee. The amount of the franchise fee credit increases $5,000 with every complete year of employment with us up to a maximum of $50,000. The credit can be used towards the purchase of a new Territory or towards a license transfer of a current franchise. Employees must be approved as a franchise owner in order to be able to apply for this credit. The credit is not transferable. Only COIT employees are eligible. The Franchise Ownership Program has no cash value. The Franchise Ownership Program may be cancelled at any time.

The initial fees are not refundable under any circumstances. Except as explained above for existing franchisees and our employees, the initial fees are uniformly calculated for all franchises currently being offered.

ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee on Core Services	7% of Gross Revenues or the minimum royalty ranging from $500 to $1,250 per month, whichever is greater after the first year (see Note 1 below)	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 2 below. We have the right to require payment of all fees by ACH debit.
Royalty Fee on Disaster Restoration Services	7% of Gross Revenues for all Disaster Restoration Services except the royalty will be 3% of Gross Revenues from Build- Back/Put-Back and Re-install services and other services provided by any subcontractor who is not an Affiliated Subcontractor (see Note 3); Any Disaster Restoration Service Job with billings over $2,000,000 will be charged at a 5.5% royalty rate.	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Royalty Fee on Goods	Royalties from sales of goods currently authorized are 3.5% of Gross Revenues.	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Royalty Fee on COIT Stone Restore Services	7% of Gross Revenues	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Referral Fees for Disaster Restoration	5% of the Gross Revenues generated by	30 days after you are paid	Payable to the referring party if we or another franchisee refer Disaster Restoration Services

Name of Fee	Amount	Due Date	Remarks
Services	the work referred	for the work	work to you
Not In Good Standing Fee	An additional 1% above the Gross Revenues royalty rate if Franchisee is Not In Good Standing	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Lead Fees	Fee charged by 3rd party providing leads on Disaster Restoration Services customers	Upon demand	
Team Leader On- Site Assistance Fees for Disaster Restoration Services	The greater of ($1,000 per day per person that the team leader spends at or in transit to your location or the amount that is billable to customer for the Team Leader On-Site Assistance) plus travel expenses	Upon demand	
Royalty Fee on Wood Floor Services	7% of Gross Revenues	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Disaster Restoration Services Branding and Marketing Fund Contribution	Up to 2% of Gross Revenues (currently 1.5%)	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Stone Restore Services Branding and Marketing Fund Contribution	Up to 2% of Gross Revenues (currently 1.5%)	10th day of each month for prior month's revenues.	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.
Wood Floor Branding and Marketing Fund	Up to 2% of Gross Revenues (currently 1.5%)	10th day of each month for prior month's	"Gross Revenues" is defined in Note 3 below. We have the right to require payment of all fees by ACH debit.

Name of Fee	Amount	Due Date	Remarks
Contribution		revenues.	
Branding and Marketing Fund Contribution	Up to 2% of Gross Revenues (currently 1.5%)	10th day of each month for prior month's revenues.	Contributions are non-refundable, pay- able to the branding and marketing fund, and uniformly imposed on all new franchisees since May 2008. Some established franchisees are operating under older versions of our franchise agreement that do not require them to contribute to the branding and marketing fund.
Cooperative Advertising Payment	To be established (Note 4)	To be established	We may form regional advertising co- operatives. Each member of an advertising cooperative shall have the right to vote on and ratify the Marketing Plan in accordance with its prorate share of the Designated Market Area ("DMA") population in its Territory. When a vote of the members does not produce a majority decision, we can break a tie vote even if no company-owned units are members. You must participate in and pay, on a pro rata basis, for your participation in any advertising program approved by a majority of members in your cooperative.
Targeted Data Base Marketing	"Cost +10+10" pricing	Upon demand	If you request, and we provide, data base marketing targeted to your Territory, you will pay our production cost plus 10% of cost for overhead plus another 10% of cost.
COIT Software License & Support Agreement User Fees	Monthly base fee of $200 plus a $60 per user fee; reimburse us for any travel expenses incurred	Payable 1st day of each month; upgrade fees payable upon delivery of up-	You must pay us a monthly fee for our proprietary COES software. We have the right to increase the fee. The price of possible upgrades is unknown.

Name of Fee	Amount	Due Date	Remarks
	to provide support	grade, if any	
Extraordinary Software Support Fees	Currently $250 per hour	As incurred	You must pay us an hourly fee for our assistance to solve problems not caused by our software (i.e. reinstallation of the software due to hardware upgrade and/or replacement; setup and configuration of new equipment to work on your network; or working with third-party vendors on network design and/or implementation)
Lead Fee	To be established	To be established	We may establish a commercial services lead program
Administration Fee	To be established	To be established	You must pay us a fee based on processing Special Accounts that are handled by the Franchisor.
Contact Center Services Fees	$8.50 per call received to the Franchise's Direct Inward Dialing (DID) number and $35 per booked work order, Callback Service Options are 3% of completed revenue, Live Chat is $25 per lead generated, Social/Online Service Option is $25 per lead generated, Web Order Management is $5 per web order lead	1st day of each month for the prior month's calls and jobs completed	We maintain a central Contact Center for all Franchises where we receive all incoming calls on your behalf. We may increase the Contact Center Fee upon 10 days' notice. All new and Successor Franchisees must use the Contact Center including any Successor Franchises. Some Franchise locations opened prior to 2016 may not be required to use the Contact Center. increase (up to 10% annually) the Contract Center Fee, upon 60 days. notice.
After Hour Call Answering Fee	To be established	To be established	We may provide an After Hour Call Answering Service for franchises to answer your phones after your normal business hours.

Name of Fee	Amount	Due Date	Remarks
Intranet Use Fee	$19.95 per month for single user; $15.95 per month for each additional user per franchise	1st day of each month	For your access to and use of the COIT Intranet. We have the right to increase this fee.
Technology Fee	To be established	To be established	We have the right to require you to pay us a technology fee for technology tools we provide or develop for franchisees.
E-Mail Hosting Fee	$8.50 per month per user	1st day of each month	You may, but are not required to, contract with Us to provide e-mail hosting services. Late payments of e- mail hosting fees are subject to an interest rate of one and one-half percent (1 1/2%) per month . E-Mail Hosting Fee is subject to an increase of up to 10% annually upon 60 days' Notice.
Customer Relationship Management ("CRM") Software Fee	$50 per month for each sales team per location	1st day of each month	You may, but are not required to, use the CRM software that COIT has set up for they system. We have the right to increase this fee
Late Fees (Note 5)	$50	Upon demand	You must pay a late fee on any payment to us that is more than 5 days late.
Interest (Note 5)	Highest legal rate not to exceed 1.5% per month	Upon demand	In addition to the Late Fee, you must pay interest on any payment that is more than 30 days late, but the interest accrues from the date the payment was due.
Electronic Fund Transfer ("ACH") Rejection Fee	$50	Upon Demand	You must pay this fee if your ACH is rejected for any reason.
Royalty Report Late Fee (Note 6)	$50	Upon Demand	You must pay this fee if you report royalties past the 10th of any month

Name of Fee	Amount	Due Date	Remarks
Insurance	Amount of premium paid by COIT plus 20%	Upon demand	If you fail to buy required insurance, we may buy it for you and you must reimburse us.
Additional Training and Meeting Fees	Reasonable fees set by us in our option that, based on current estimates, should range from $0 to $350 per day of attendance (Note 7)	Upon your registration for pro- gram or meeting	Applies to additional training we may offer beyond the initial training pro- vided.
Disaster Restoration Services Training	Up to $3,500 per person	Prior to training	Applies to additional training, in event new personnel require training.
COIT Stone Restore Training	Up to $3,500 per person	Prior to training	Applies to additional training, in event new personnel require training.
Wood Floor Training	Up to $3,500 per person	Prior to training	Applies to additional training, in event new personnel require training.
Transfer Fee	$5,000 plus legal expenses	Prior to transfer of franchise	"Transfer" defined in Article 12 of Franchise Agreement.
Successor Franchise Fee	10% of then-current initial franchise fee for new franchisees	At least 9 months before the expiration of the franchise	A "Successor Franchise" is a COIT franchise that you may be granted under Article 2.2 of the Franchise Agreement, as a successor to your initial COIT franchise, for an additional ten-year term upon the expiration of this agreement
Interim Franchise Royalty Fees	Franchisor's then current Royalty Fee plus 2%	10th day of each month for prior month's revenues	Upon the expiration of the franchise agreement and if a Successor Franchise Agreement is not signed and the Franchised Business continues operation, Franchisee's Royalty Fee payments shall be calculated at the Interim Franchise Royalty Fee amounts.

Name of Fee	Amount	Due Date	Remarks
Interim Marketing Contributions	Franchise System's then current rate of the Branding and Marketing Fund Contributions plus 2%	10th day of each month for prior month's revenues	Upon the expiration of the franchise agreement and if a Successor Franchise Agreement is not signed and the Franchised Business continues operation, Franchisee's Marketing Fund Contributions shall be calculated at the Interim Marketing Contribution rates.
Right of First Refusal Fee	10% of then-current initial franchise fee for new franchisees	At the time you purchase a right of first refusal	We may grant you a right of first refusal to purchase another franchise if you demonstrate a high level of competence in operating your franchise and possess adequate financial resources to operate multiple locations. See Item 12 for a more detailed explanation of a right of first refusal.
Audits	All costs of inspection and audit	Upon demand	You must reimburse costs if audit is done because you fail to submit re- quired reports and documents or if audit shows greater than 2% under-statement of revenues. Late fees and interests will be assessed on Royalty Fees and Branding and Marketing Fund Contributions due and payable as a result of the understated revenue, from the date that fees and contributions should have been paid.
Cost of Enforcement	Cost including attorney fees	Upon demand	You must reimburse us for all costs to enforce obligations under the Franchise Agreement if we prevail.
Indemnification	Cost including attorney fees	Upon demand	You must defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the franchised business.

Name of Fee	Amount	Due Date	Remarks
Sales/Use Taxes	Variable	Payable with your royalty fee or advertising contribution payments	You must pay any state or local sales or use tax that may be assessed on the royalties, advertising contributions, or other fees you pay.

Notes:

1. There is no minimum royalty for the first year after you sign the Franchise Agreement*. After the first year, the minimum royalty is as follows:

Years 2 and 3	$500 per month
Year 4	$750per month
Year 5	$1,000 per month
After Year 5	$1,250 per month

If new goods or services are authorized for sale under your Franchise Agreement other than Core Services, the royalty will be the same as above for Core Services and currently authorized goods (7% of Gross Revenues or the minimum royalty for services and 3.5% of Gross Revenues for goods) unless some other rate is specified by us in writing. If you are already a COIT franchisee entering into a successor franchise agreement with us, the minimum monthly royalty is $1,250 during the entire term of your successor franchise agreement.

If you are converting an existing cleaning business to a COIT franchised business, for each of the first four twelve-month periods after becoming a franchisee you will pay no royalty fee on Gross Revenues up to the dollar volume of your existing business for the twelve-month period prior to your becoming a franchisee. For business above your existing volume, you will pay a royalty fee of 7% of Gross Revenues, whichever is higher. After the first four years, you will pay a royalty fee of $1,000 or 7% of Gross Revenues, whichever is higher.

Many franchisees are operating under prior versions of our franchise agreement and may pay a different royalty than what is required under your agreement.

We may require any payments due from you to be made via Automated Clearing House (ACH) debit from your bank account. You must agree to designate a bank account for that purpose and sign all authorization forms we and your bank may require.

2. "Gross Revenues" means all money and other consideration you receive in connection with the ownership or operation of the franchised business, from the sale of any authorized products and services (as we may change them from time to time), or from the sale of any goods or services under the Marks. Gross Revenues includes not only consideration received for services performed at the franchised premises, but also consideration received for such things as, service charges, pick-up and delivery services, installation and other services performed at the customer's site or carried out in connection with the franchised business. Gross Revenues does not include sales or excise taxes that are separately stated and that you are required to collect from customers and pay to a government taxing authority.

3. You must pay a royalty of 3% on your Gross Revenues from Build-Back/Put-Back Services, Re- install Services, and any other services provided by a subcontractor who is not an Affiliated Subcontractor; you must pay a royalty of 7% of your Gross Revenues from all other Disaster Restoration Services or 5.5% of

Gross Revenues on Jobs defined as $2,000,000 or greater. A job is defined and shall mean a unique customer at a unique customer location based on a one-time unique Disaster Restoration Services event.

For purposes of the above table, a "Franchise Year" is a one-year period beginning on date that this Addendum is signed or any anniversary of that date thereof and ending on the day before the next anniversary.

"Build-Back/Put-Back Services" means Reconstruction or Construction services performed after completion of mitigation and or cleaning services , but excluding re- installation of carpets that were removed during the project and does not include tear out, demolition, removal and disposal, pack out/move-back and storage.

"Re-install Services" means Reconstruction or Construction services related to removal of original structural items such as baseboards and their re-installation at the completion of the project..

We may develop agreements with third parties to provide leads on customers needing Disaster Restoration Services. You will need to pay for all lead fees charged by a third party lead source for work you accept that was generated by that lead source. However, it is up to you whether to accept any work that requires payment of a lead fee.

4. The rate of the contributions is determined by a majority vote of the Cooperative members. Each COIT Franchise in an Advertising Cooperative, including those owned by Franchisor or its Affiliates, will have a right to vote on and ratify contribution rates, fees, and the Marketing Plan based on the DMA territory and their share of the territory. There is no minimum or maximum Advertising Cooperative contribution rate, however, the amounts you pay for participation in any advertising cooperative programs approved by the Advertising Cooperative is credited towards your quarterly minimum Local Advertising expenditure requirement. If franchisor outlets have the Advertising Cooperative controlling voting power, the maximum Advertising Cooperative contribution rate shall not exceed 10% of Cooperative member's Gross Revenues. The minimum Advertising Cooperative contribution rate imposed, If franchisor outlets have the controlling voting power is zero.

5. Late fees and interest on royalties and other payments you owe us are payable to us; late fees and interest on contributions to the branding and marketing fund are payable to the fund.

6. Royalty reports are due on the 10th of every month. Any report submitted after that date will incur a $50 late fee.

7. This range of estimated fees is subject to change in future years.

8. The royalties, branding and marketing fund contributions, or other fees you pay to us or the branding and marketing fund may be entirely or partially subject to state or local sales or use tax, depending upon the law in your state. If we are required to pay these taxes in your state, you must add the tax to your royalty fees or contributions to the branding and marketing fund.

9. Except for branding and marketing fund contributions, cooperative advertising payments (if any), referral fees (if the source is another franchisee) and lead fees, all fees in the above table are payable to, imposed and collected by us. All fees are nonrefundable and uniformly imposed on all new franchisees. Some current franchisees are operating under prior versions of our franchise agreement and may not pay a branding and marketing fund contribution, technology fee, Intranet use fee, or other fees that are required under your agreement.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

<u>On Location Service Start-Up, Core Services Only:</u>

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$27,000 – $60,000	Note 1	Upon execution of Franchise Agreement	COIT
Advertising and Promotional Costs (Note 2)	$6,000 – $12,000	Lump sum or open account	Trade terms	Paid to suppliers as negotiated
Rent (Note 3)	$ 0 – $2,638	Lump sum	Monthly	Landlord
Lease Deposit	$ 0 – $2,000	Lump sum	Lease inception	Landlord
Utility Deposits	$ 0 – $200	Lump sum	Service inception	Utility companies
Leasehold Improvements	- 0 -			
Equipment, Tools and Supplies (Note 4)	$11,500 – $33,000	Lump sum or 3rd party finance	Per vendor or finance company terms	Vendor or third-party finance company
Vehicle (Note 5)	$800 – $33,000	Cash, financing, or lease	Per negotiated terms	Dealer/bank or third- party finance company
Insurance Deposit	$ 0 – $1,000	Lump sum	Per negotiated terms	Insurance carrier
Computer System (Note 6)	$800 – $10,000	Lump sum	Before installation of software	Various vendors
Accounting Software	$328 – $14,000	Cash/open account	Per vendor terms	Various vendors
Travel/Room/Board for Training (Note 7)	$2,000 – $4,000	Cash/open account	Per vendor terms	Various vendors
Internet Services	$60 – $150	Lump sum	Per vendor terms	Service provider

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Professional Fees (Note 8)	$500 – $3,000	Per provider	Per provider	Service provider
Additional Funds – three months (Note 9)	$15,000 – $50,000	Cash/open account as negotiated	Per various vendor terms	Vendors/employees
TOTAL	$63,188– $191,988			

On Location Service Conversion, Core Services Only:

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$24,000 – $60,000	Note 1	Upon execution of Franchise Agreement	COIT
Advertising and Promotional Costs (Note 2)	$3,000 – $15,000	Lump sum or open account	Trade terms	Paid to suppliers as negotiated
Rent (Note 3)	$ 0 – $2,000			
Lease Deposit	$ 0 – $2,000			
Utility Deposits	$- 0 -			
Leasehold Improvements	$- 0 -			
Equipment, Tools and Supplies (Note 4)	$858 – $12,000	Lump sum or 3rd party finance	Per vendor or finance company terms	Vendor or third-party finance company
Insurance Deposit	$ 0 – $1,000	Lump sum	Per negotiated terms	Insurance carrier

Computer System (Note 6)	$800 – $10,000	Lump sum	Before installation of software	Various vendors
Accounting Software	$938 – $14,000	Cash/open account	Per vendor terms	Various vendors
Travel/Room/Board for Training (Note 7)	$2,000 – $4,000	Cash/open account	Per vendor terms	Various vendors
Additional Funds – three months (Note 9)	$9,000 – $30,000	Cash/open account as negotiated	Per various vendor terms	Vendors/employees
TOTAL	$40,596 – $150,000			

Plant Conversion, Core Services Only:

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$24,000 – $60,000	Note 1	Upon execution of Franchise Agreement	COIT
Advertising and Promotional Costs (Note 2)	$5,000 – $20,000	Lump sum or open account	Trade terms	Paid to suppliers as negotiated
Exterior Signage	$200 – $500	Cash/open account	Per vendor terms	Sign Vendor
Rent (Note 3)	$ 0 – $2,000			
Lease Deposit	$ 0 – $2,000			

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Utility Deposits	$- 0 -			
Leasehold Improvements	$ 0 – $8,000	Cash/open account	As negotiated	Equipment supplier or third-party finance company
Equipment, Tools and Supplies (Note 4)	$4,000 – $40,000	Lump sum or 3rd party finance	Per vendor or finance company terms	Vendor or third party finance company
Insurance Deposit	$ 0 – $1,000	Lump sum	Per payee's terms	Insurance carrier
Computer System (Note 6)	$800 – $10,000	Lump sum	Before installation of software	Various vendors
Accounting Software	$997 – $14,000	Cash/open account	Per vendor terms	Various vendors
Travel/Room/Board for Training (Note 7)	$2,000 – $4,000	Cash/open account	Per vendor terms	Various vendors
Additional Funds – three months (Note 9)	$9,000 – $40,000	Cash/open account as negotiated	Per various vendor terms	Vendors/employees
TOTAL	$45,997 – $188,980			

Notes:

Except for the initial franchise fee as described in Note 1 below, we do not offer direct or indirect financing for any of your initial investment. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

1. The amount of your initial fee will depend upon the number of households in your Territory as described in Item 5. The range is based on the same assumptions described in Item 5 above. If you meet our credit standards and industry experience thresholds, we will finance up to 75% or $30,000, whichever is less, of the initial franchise fee for a Core Services franchise. The actual amount we will finance and the repayment period will depend upon the number of households in your Territory, your previous employment and business experience; your credit history; the amount, source and character of your assets, debts, and income; and any other factors that may affect your creditworthiness. The repayment period will range from 24 to 48 months. See Item 10 for a more detailed description of the financing we offer.

2. Advertising expense given is the minimum. You may spend more at your discretion. Local advertising rates will vary. This amount includes the estimate for the Internet advertising you are required to place.

3. If you operate an on-location service franchise, we recommend that you operate from your residence until your volume justifies renting a separate office. In that case you would not incur any initial expenses related to establishing or maintaining a separate office. A conversion franchisee will have an existing facility and should not incur any additional leasehold expenses. If you are a conversion franchisee, you are aware of the amount of rent you must pay under your lease. We do not have this information, so no estimate is given.

4. Equipment for the mobile service includes one COIT truck mounted carpet cleaning unit, one portable carpet cleaning unit, one portable tile and grout cleaning unit, one duct cleaning unit, and some accessories. Office equipment includes a computer, telephone, and copier/scanner/fax machine. The amount paid for equipment by conversion franchisees depends on how much suitable equipment they already own. The amount needed for a computer system depends on what equipment you currently own and how many terminals you will need for your business.

If you are converting a cleaning plant, you will need a window covering pleating machine and a large hot head press or comparable equipment, as well as office and mobile service equipment. Your expenses will depend on the suitability of the equipment you already own. A plant conversion franchisee may also need to install additional plumbing, electrical items and window covering racks, the expenses for which will vary depending on what you negotiate with your contractor.

The low end of the ranges given for equipment and fixtures represent leasing or financing costs and the high end is the purchase price.

5. You will need at least one carpet cleaning van or truck with enough space to handle pickups/deliveries of window coverings and other goods. A one-ton vehicle is recommended. The tables assume conversion franchisees already own a suitable vehicle. The low figure of the range reflects your payments for the first 3 months if you lease a vehicle, and the high end reflects the total estimated purchase cost if you buy a vehicle. Your actual cost will depend upon a number of factors, such as the make and model of the vehicle, whether you buy a new or used vehicle, the amount, if any, of your down payment, current interest rates, your credit score, the general condition of the national and local economies, and your ability to negotiate a favorable purchase price.

6. In order to use our proprietary COES software, you must purchase a computer capable of connecting to the Internet and running a Remote Desktop Session. This is typically a Microsoft Windows based computer. You may also need to purchase a server and additional software and networking equipment to support the business depending on the size of your operation. The estimated cost of the computer system will range from $800 to $1,200 for a one- or two-user configuration. For multi-user configurations, the estimated cost will range from $1,700 to $5,700 for a dedicated server plus $700 to 1,200 per workstation. You must use our proprietary COES software and pay a monthly base fee of $200 plus a $60 per user fee.

7. Travel expenses for training assume one attendee.

8. Professional fees include charges for an accountant to assist you in setting up your books and an attorney to review the franchise, lease and other agreements you may enter into in starting the business. Rates charged by these professionals vary significantly and you should ask for an estimate and fee agreement in advance.

9. Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and operating expenses for the first 3 months of initial period of operation. In formulating the amount required for additional funds, we relied upon our experience in operating our own cleaning service businesses, knowledge gathered from field experience with franchisees, and our general

knowledge of the industry and the suppliers that service it. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating.

authorizations necessary to start your business, which may vary considerably from one area to another.

10. The total figure listed in the table above does not include compensation for your time or labor. Neither does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment.

11. Successor Franchise. The disclosures in the above table refer to the investment required to begin the operation of your Core Services franchise when you originally purchase it. There is no additional investment required (except the Successor Franchise Fee) when we grant you a successor franchise upon the expiration of your original Franchise Agreement.

Additional Investment Needed for Disaster Restoration Services:

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$ 5,000	Lump Sum	Upon Execution of Disaster Restoration Addendum	COIT
Marketing and Administration (Note 2)	$4,500	Lump Sum or As Negotiated	As Negotiated	Suppliers
Training and Certifications (Note 3)	$0 to $3,500	Lump Sum	On invoice	COIT and third party training organizations
Equipment, Tools and Supplies (Note 4)	$16,000 – $20,000	Lump Sum	As Negotiated	Suppliers
Insurance Deposit (Note 5)	$1,800 – 3,000	Lump Sum or As Negotiated	On invoice	Insurance Carriers
Travel/Room/Board for Training (Note 6)	$1,749 – $3,063	Cash/Open Account	Per Vendor Terms	Various Vendors
Computer Software (Note 7)	$725	Lump Sum	As Negotiated	Suppliers

Additional Funds-three months (Note 8)	$5,000 – $15,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
Separate Office-three months (Note 9)	$0 - $4,000	Cash	Per terms of lease	Landlord
TOTAL	$34,774 – $58.788			

Notes:

We do not offer direct or indirect financing for any of the above items. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

1. The amount of your initial fee will be $5,000. This payment is in addition to the initial fee for Core Services. If you were a COIT franchisee before December 31, 2018, we will waive the additional franchise fee for Disaster Restoration Services. We have the right to discontinue this offer at any time.
2. This is our estimate of additional amounts you will need to market Disaster Restoration Services in your Territory plus miscellaneous administrative costs.
3. The estimate for training includes training fees you will pay to COIT plus fees charged by third parties for training needed to obtain the certifications required for you to provide Disaster Restoration Services. You must always have on staff a person or persons currently certified by the Institute of Inspection, Cleaning and Restoration Certification, or equivalent certifications as approved by COIT: (i) in Water Damage; (ii) as an Applied Structural Drying Technician; and (iii) as an Applied Microbial Remediation Technician. The lower end of the range is if you do not require training and the upper range includes training for one person.
4. This estimate is for the additional equipment and tools you will need to provide Disaster Restoration Services, which may vary by your market size.
5. This estimate is for additional insurance you will need to provide Disaster Restoration Services, i.e. pollution liability coverage.
6. This estimate of the travel expenses related to the Disaster Restoration Services training and certifications assumes one attendee.
7. The required computer software is described in Item 11 of this disclosure document.
8. Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and operating expenses relating to Disaster Restoration business for the first 3 months of initial period of operation. In formulating the amount required for additional funds, we relied upon our experience in operating our own Disaster Restoration Services business, knowledge gathered from field experience of a limited number of franchisees, and our general knowledge of the industry and the suppliers that service it. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Disaster Restoration business. The actual amount you need will depend on many factors, including how closely you follow our methods and procedures, the size of your operation, the amount of business you generate, costs in your market area, local economic conditions, the local market for our services, the prevailing wage rate, competition, and your management skill, experience and business acumen. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another.
9. If you operate a Disaster Restoration Service franchise and operate from your home until your revenues and volume justify operating out of an office, you would not incur any additional expenses. However, under certain Third-Party Administrator ("TPA") programs you will not be activated until you

are operating from a non-residential/commercial office space. A conversion franchise will have an existing facility and should not incur any additional office expenses.

The total figure listed in the table above does not include compensation for your time or labor. Neither does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. A line of credit is important since payment for Disaster Restoration Services can take up to 120 days or longer.

<u>Successor Franchise.</u> The disclosures in the above table refer to the investment required to begin the operation of your Disaster Restoration Services franchise when you originally purchase it. There is no additional investment required when we grant you a successor franchise upon the expiration of your original Disaster Restoration Services addendum.

<u>Additional Investment Needed for COIT Stone Restore:</u>

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$ 5,000	Lump Sum	Upon Execution of Stone Restore Addendum	COIT
Marketing and Administration (Note 2)	$4,500	Lump Sum or As Negotiated	As Negotiated	Suppliers
Training and	$0– $3,500	Lump Sum	On invoice	COIT and third party
Certifications (Note 3)				training organizations
Equipment, Tools and Supplies (Note4)	$10,000 – $15,000	Lump Sum	As Negotiated	Suppliers
Travel/Room/Board for Training (Note 5)	$1,000 – $2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Additional Funds- three months (Note 6)	$5,000 – $15,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees

TOTAL	$25,500 – $45,000			

Notes:

We do not offer direct or indirect financing for any of the above items. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

1. The amount of your initial fee will be $5,000. This payment is in addition to the initial fee for Core Services. If you were a COIT franchisee before December 31, 2018, we will waive the additional franchise fee for COIT Stone Restore Services. We have the right to discontinue this offer at any time.

2. This is our estimate of additional amounts you will need to market COIT Stone Restore in your Territory plus miscellaneous administrative costs.

3. The lower end of the range is if you do not require training and the upper range includes training for one person. The estimate for training includes training fees payable to a third party for training needed to obtain the certifications required for COIT Stone Restore. You must always have on staff a person or persons currently certified by Innovative Surface Solutions of Escondido, California, or equivalent certifications as approved by us, in natural stone cleaning and restoration.

4. This estimate is for the additional equipment and tools you will need for COIT Stone Restore, which will vary based on your market size.

5. This estimate of the travel expenses related to the COIT Stone Restore training and certification assumes one attendee.

6. Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and operating expenses relating to your COIT Stone Restore business for the first 3 months of initial period of operation. In formulating the amount required for additional funds, we relied upon our experience in operating our own COIT Stone Restore business, knowledge gathered from field experience of a limited number of franchisees, and our general knowledge of the industry and the suppliers that service it. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your COIT Stone Restore business. The actual amount you need will depend on many factors, including how closely you follow our methods and procedures, the size of your operation, the amount of business you generate, costs in your market area, local economic conditions, the local market for our services, the prevailing wage rate, competition, and your management skill, experience and business acumen. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating.

authorizations necessary to start your business, which may vary considerably from one area to another.

The total figure listed in the table above does not include compensation for your time or labor. Neither does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

<u>Successor Franchise</u>. The disclosures in the above table refer to the investment required to begin the

operation of your COIT Stone Restore franchise when you originally purchase it. There is no additional investment required when we grant you a successor franchise upon the expiration of your original COIT Stone Restore addendum.

<u>Additional Investment Needed for Wood Floor Services:</u>

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	None	Lump Sum	Upon Execution of Wood Addendum	COIT
Marketing and Administration (Note 1)	$4,500	Lump Sum or As Negotiated	As Negotiated	Suppliers
Training and Certifications (Note 2)	$0 - $3,500	Lump Sum	On invoice	COIT and third party training organizations
Equipment, Tools and Supplies (Note 4)	$5,000-7,000	Lump Sum	As Negotiated	Suppliers
Travel/Room/Board for Training (Note 5)	$1,000 – $2,000	Cash/Open Account	Per Vendor Terms	Various Vendors
Additional Funds three months (Note 6)	$5,000 – $15,000	Cash/Open Account as Negotiated	Per Various Vendor Terms	Vendors/ Employees
TOTAL	$15,500 – 32,000			

Notes:

We do not offer direct or indirect financing for any of the above items. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

1. There is no initial fee.

2. This is our estimate of additional amounts you will need to market Wood Floor Services in your Territory plus miscellaneous administrative costs.

3. The lower end of the range is if you do not require training and the upper range includes training for one person. The estimate for training includes training fees you will pay to a third party for training needed to provide Wood Floor Services. You must always have on staff a person or persons trained to provide Wood Floor Services.

4. This estimate is for the additional equipment and tools you will need for Wood Floor Services, which will vary based on your market size.

5. This estimate of the travel expenses related to the Wood Floor training assumes one attendee.

6. Additional funds include amounts you will need for vehicle operation, employee salaries, office supplies, and operating expenses relating to your Wood Floor business for the first 3 months of initial period of operation. In formulating the amount required for additional funds, we relied upon our experience in operating our own Wood Floor business, knowledge gathered from field experience of a limited number of franchisees, and our general knowledge of the industry and the suppliers that service it. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Wood Floor business. The actual amount you need will depend on many factors, including how closely you follow our methods and procedures, the size of your operation, the amount of business you generate, costs in your market area, local economic conditions, the local market for our services, the prevailing wage rate, competition, and your management skill, experience and business acumen. You may also incur expenses for business license fees, legal fees, accounting fees and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another.

The total figure listed in the table above does not include compensation for your time or labor. Neither does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Successor Franchise. The disclosures in the above table refer to the investment required to begin the operation of your Wood Floor franchise when you originally purchase it. There is no additional investment required when we grant you a successor franchise upon the expiration of your original Wood Floor addendum.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We are an approved supplier for the following products and services: carpet, window covering and upholstery cleaning supplies and equipment, uniforms, vehicle decals, and other materials bearing the Marks. You will be charged for these products and/or services. We are not the only approved supplier for these items. Except for an ownership interest in COIT, none of our officers owns an interest in any supplier.

We do not provide material benefits, such as the grant of a successor or additional franchise, to franchisees based on their purchase of particular products or services or use of particular suppliers. However, failure to use approved items might be a default under the Franchise Agreement and, in general, any franchisee in default would not be granted a successor or additional franchise and might even be subject to termination.

How We Issue and Modify Standards and Approvals of Suppliers and Products. We may require you to purchase, from us or from our affiliate or designated or approved third-party suppliers, and use only the types, brands and quality of equipment, products and services that we designate. We will provide you, in the Operating Manuals or other means, with a list of equipment, products and services that must be purchased from designated or approved sources and, if required, a list of designated or approved suppliers after you sign your franchise agreement, and we have the right to add or delete equipment, products, services, or suppliers from the list. We formulate and will provide you (in the Operating Manuals or other means) with any applicable specifications for equipment, supplies, customer service requirements, and other items, all of which are subject to change by us. Designated or approved suppliers may include, and may be limited to, us and/or companies affiliated with us. We may designate a single supplier or multiple suppliers, and may concentrate purchases with one or more suppliers. Franchisee is required to purchase and use all COIT private label products and equipment. Violation of these terms will result in your not being in 'good standing' under your franchise agreement, and could result in the default and termination of your franchise agreement. We may approve, revoke or deny approval of particular items or suppliers in our business judgment. You can request the approval of an item, service or supplier by notifying us in writing and submitting any information and/or materials we may request. Generally, we condition our approval of a supplier based on the proposed item meeting our exact specifications. We have no contractual obligation to notify you within a specific period of time whether or not you are authorized to purchase or use the proposed item or to deal with the proposed supplier. However, we anticipate that we would notify you within 30 days after we receive adequate information and/or materials relating to the item being evaluated. We do not currently charge any fees for approving suppliers, but we reserve the right to condition approval of a supplier on reimbursement of our costs to evaluate whether the items conform to our standards.

Specifications

We have issued and may in the future issue specifications for the types of products and equipment to be used in the franchised business, which are contained in our Operating Manuals. We may, in our discretion, modify our specifications and requirements for any equipment, goods or services. When your existing equipment is depleted or becomes obsolete or worn out to the extent it requires replacement, you must replace it in accordance with our modified specifications for the same types and kinds of equipment in effect at the time of replacement.

Insurance. You must maintain insurance coverage in the types and amounts that we designate. Current minimum coverage requirements are for: $1,000,000 per occurrence general liability coverage including bodily injury, property damage, personal injury, advertising injury and contractual liability coverage; All Risk coverage of property under your care and custody for the greater of $100,000 per loss or five times the value of the work in progress; commercial auto liability insurance of at least $1,000,000 per accident; worker's compensation insurance; employer's liability insurance of $1,000,000 per accident and property insurance written on an All Risk cause of loss- special form covering your owned real and personal business property for 90% of replacement value. If you provide Disaster Restoration services and your general liability policy does not cover mold remediation services, you must obtain pollution liability coverage of $1,000,000 per occurrence, with an aggregate limit of $2,000,000. All liability policies must be underwritten by a company rated "A" or better by A.M. Best Company and must name COIT SERVICES, INC. on a primary basis as an additional insured, with the policies of the additional insured being excess and non-contributing. You cannot open your franchised business until you have obtained all the required insurance coverage's.

If you fail to obtain and maintain this insurance coverage, we have the right to obtain it on your behalf and to charge you for the cost plus 20%. We have the right to increase the minimum coverage, decrease the maximum deductible, or require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. We must give you at least 30 days' written notice.

Advertising. Your marketing materials, signage, business cards, business stationery, and other items bearing the Marks must comply with specifications for content, size, typeface, color, and paper stock, which are contained in the Operations Manuals. All of your advertising must be dignified, completely accurate and truthful, conform to all applicable laws and regulations relating to consumer advertising and to standards and requirements that we may specify from time to time in writing, give notice that the franchised business is independently owned and operated, and be approved by us in advance. We will provide you with a number of advertisements, layouts, and images for use in various media. If you wish to use an advertisement that we have not provided and that has not been previously approved, you must submit it to us by certified mail, return receipt requested, for approval. Unless we notify you that the advertisement is not acceptable within 15 days after we receive it, you may assume that it is acceptable. The approval of advertising will be made on a case-by-case basis using purely subjective criteria. We reserve the exclusive right to control all Internet promotion and online marketing of your services. You must maintain, at a minimum, a business listing consisting of name, address, and phone number of the Franchised Business in all of the most widely used (as Franchisee determines) directories (Internet, white and yellow pages) for the Territory, and in those business classifications Franchisor intermittently prescribes. Franchisee must ensure that these listings are placed in classified directories that cover all of the telephone service areas in the Territory.

Computer System. We have developed a proprietary computer program called "COES" (for "COIT Order Entry System") that you must use in the operation of the Franchised Business subject to the terms of our COIT Software License & Support Agreement and COIT Hosting Service Agreement. Currently, we are the only supplier of the COES software. There is no separate initial license fee for COES however you are required to pay a monthly base fee of $200 plus a $60 per user fee under the COIT Software License & Support Agreement. You must use and may be required to pay for upgrades, modifications, replacements, third party license fees and changes to COES that we adopt. You will need computer(s) and/or terminal(s) as well as an internet connection to access COES in the cloud. Your COES data remains the property of COIT. We have the right to access and make back-up copies of your COES data. You agree to upgrade to the most recent version of COES by the end-of-life date provide by us.

We may require you to use additional third-party software for specific services or activities.

Equipment. All equipment used in the franchised business, including cleaning equipment, pressing equipment, duct-cleaning equipment, tile and grout cleaning equipment, and motor vehicles, must conform to our specifications, which are contained in the Operating Manuals.

Employee Uniforms. Your service employees must wear uniforms that conform to our specifications, which are contained in the Operating Manuals.

Toll-Free Number. We have established a toll-free number for telephone service for customer calls that you will use if it is available in your area. We select the carrier for this service. We have the unrestricted right to change the carrier. You will pay monthly service fees and calling fees to the carrier for this service. We receive no fees or other consideration in connection with the toll-free number. We may establish other toll-free numbers in the future, and you must use them if they are available in your area.

Except as disclosed above, neither we nor any of our affiliates are an approved supplier for any goods or services you will require for your franchised business. We do not currently require you to acquire any other equipment, goods, or services from us or from designated sources. We reserve the right to designate new or different approved suppliers and rescind approval status of any supplier in the future at our discretion including the right to designate us or one of our affiliates as an approved supplier of any goods or services.

We estimate that, assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7 of this disclosure document, the proportion of your purchases and leases of goods and services from approved suppliers or of products that meet our specifications to be approximately 35% to 55% of all the purchases and leases in establishing your franchised business and approximately 15% to 25% of your ongoing costs of operating your franchised business.

As a result of the sale of all required purchases and leases of products and services to COIT franchisees (including Software Fees and Contact Center Fees) in calendar year 2023, we derived $895,000 in revenue, representing just under 2.0% of our total revenue of $35,849,810, as reflected on our audited statement of operations. Our affiliates did not derive any revenues, rebates, or other material consideration based on the required purchases or leases to franchisees in calendar year 2023.

Currently, we do negotiate purchase arrangements, including price terms, with approved suppliers for the benefit of our franchisees.

We receive a cash rebate from one of our approved suppliers of cleaning chemicals of 5% of COIT franchisee purchases from them. Some suppliers pay us fees for sponsorships or display space at our national franchisee convention. These fees defray our costs for the convention, but there are no specific restrictions on their use. In calendar year 2023, we received $21,000 from suppliers for sponsorships or display space at our annual convention, as reflected on our audited consolidated income statement.

Currently, there are no formal or mandatory purchasing or distribution cooperatives, but we reserve the right to institute them in the future.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

The Section references are to those in the Franchise Agreement unless otherwise noted.

Obligation	Section in Agreement	Item in This Disclosure Document
a. Site Selection and Acquisition/Lease	Article 3	Item 12
b. Pre-Opening Purchases/Leases	Article 3 and Article 7.; Section 4.A of Disaster Restoration Addendum	Items 7, 8 and 11
c. Site Development and Other Pre- Opening Requirements	Article 3; Section 3.B and 3.C of Disaster Restoration Addendum	Items 7 and 11
d. Initial and Ongoing Training	Article 7.1; Section 3.A of Disaster Restoration Addendum	Items 7 and 11
e. Opening	Section 7.6	Item 11
f. Territory Requirement	Article 1.1 and 1.4	Item 12

Obligation	Section in Agreement	Item in This Disclosure Document
g. Fees	Articles 4 and 5; Section 5 of Disaster Restoration Addendum; Section 3 of COIT Software License & Support Agreement; Section 5 of the Stone Restore Addendum, Section 6 of the COIT Wood Floor addendum	Items 5, 6, 7, 8 and 11
h. Compliance With Standards and Policies/Operating Manual	Articles 7.2 – 7.6 and Article 9; Section 3 and 4 of Disaster Restoration Addendum	Items 8 and 11
i. Trademark and Proprietary Information	Articles 8 and 10; Sections 1, 5 and 6 of COIT Software License & Support Agreement	Items 13 and 14
j. Restrictions On Products/Services Offered	Article 7.3	Items 8 and 16
k. Warranty and Customer Service Requirements	Article 7.15	Not Applicable
l. Territorial Development and Sales Quotas	Article 5.1	Not Applicable
m. Ongoing Product/Service Purchases	Article s 7.4 and 7.5; Section 4 of COIT Software License & Support Agreement	Items 8 and 11
n. Maintenance, Appearance and Remodeling Requirements	Articles 2.2(e) and 7.4	Item 8
o. Insurance	Article 7.11; Section 4.B of Disaster Restoration Addendum	Items 6 and 7
p. Advertising	Article 12	Items 6, 7 and 11
q. Indemnification	Article 17.3	Not Applicable
r. Owner's Participation Management/Staffing	Articles 7.16-7.20	Item 15
s. Records/Reports	Article 7.9	Item 6
t. Inspections/Audits	Articles 7.9(h) and 7.10	Item 6
u. Transfer	Article 12	Item 17

Obligation	Section in Agreement	Item in This Disclosure Document
v. Renewal	Articles 2.2 and 2.3	Item 17
w. Post-Termination Obligations	Article 14	Item 17
x. Noncompetition Covenant	Article 15	Item 17
y. Dispute Resolution	Article 16	Item 17
z. COES Use and Restrictions	COIT Software License & Support Agreement	Items 6, 11 and 14

ITEM 10. FINANCING

If you meet our credit standards, we will finance up to 75% or $30,000, whichever is less, of the initial franchise fee for a Core Services franchise. The actual amount we will finance, and the repayment period will depend upon the number of households in your Territory, your previous employment and business experience; your credit history; the amount, source and character of your assets, debts, and income; and any other factors that may affect your creditworthiness. Our credit standards require that you have enough working capital to run the Franchised Business after signing the promissory note. The repayment period will range from 24 to 48 months. When you sign the franchise agreement, you must sign a promissory note for the amount we agree to finance and pay the balance of the initial franchise fee. The promissory note will be payable in equal monthly installments. The amount of each payment will depend upon the amount financed and the repayment period. For example, if you financed the maximum amount ($30,000) over 48 months, the monthly payment would be $667.33. If you financed the maximum amount over 24 months, the monthly payment would be $1,412.20. The first installment will be due on the first day of the third calendar month after the month in which you sign the franchise agreement. The promissory note will bear interest at the rate of 12% per year on the unpaid balance.

The table below presents examples for 3 different repayment terms, 24, 36 and 48 months, and summarizes the financing terms we offer based upon the following assumptions: (1) the Total Franchise Fee is for Core Services only; (2) the Amount Financed is the maximum amount we will finance ($30,000); (3) the first payment is made 90 days after the franchise agreement is signed; and
(4) each subsequent payment is made on the first day of each month.

SUMMARY OF FINANCING OFFERED

	Example A	Example B	Example C
Amount Financed	$30,000	$30,000	$30,000
Term (Months)	24	36	48
Interest Rate	12%	12%	12%
Monthly Payment	$1,412.20	$996.43	$790.02
Sum of Monthly Payments	$33,892.90	$35,871.45	$37,920.72

Prepay Penalty	None	None	None
Security	Personal guaranty	Personal guaranty	Personal guaranty
Liability Upon Default	Loss of franchise; unpaid loan; collection costs	Loss of franchise; unpaid loan; collection costs	Loss of franchise; unpaid loan; collection costs
Loss of Legal Rights on Default	None	None	None

The only security we require is a personal guaranty of the promissory note by all the owners of the franchisee entity. The promissory note may be prepaid without penalty. If you do not pay the promissory note on time, or if you breach the franchise agreement, we can call the loan and demand immediate payment of the entire unpaid balance. We require you to make note payments by ACH debit from your bank account. We also have the right to terminate your franchise if you do not make your payments on time. You must pay our attorney fees and court costs if a collection action is necessary. You waive your rights to presentment for payment and notice before a collection action may be started against you. You must pay a $50 late charge on any payment that we receive more than 5 days after its due date. If you fail to make your payment within 30 days after the due date, or if you commit a default under the Franchise Agreement and fail to cure it within the applicable cure period in the franchise agreement, then the interest rate on the outstanding balance increases to 18% per year.

Neither we nor any agent or affiliate of ours offers direct or indirect financing to you. We do not offer financing that requires you to confess judgment or waive a defense against us. We do not arrange financing from other sources or receive direct or indirect payments to place financing. Commercial paper from franchisees has not been and is not sold or assigned to anyone, and although we have the right to, we have no plans to do so. We do not guarantee your obligations to third parties.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER

SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

1. Under Article 6.1 and 6.2 of the Franchise Agreement, we will provide you with the standards, specifications, and designated and approved suppliers for all the equipment, supplies, and other materials you will need to operate the franchised business.

2. Under Articles 6.1 and 7.20 of the Franchise Agreement and Sections 1 and 4 of the COIT Software License & Support Agreement, we will license and train you to use, and assist you with the setup of our proprietary software, COES.

3. Under Article 6.3 of the Franchise Agreement, we will provide you with an initial training program as further described in this Item.

4. Under Article 6.1 of the Franchise Agreement, we will loan you a copy of our Operating Manuals, which are confidential and will remain our property. You will receive a copy of the Operating Manuals when you begin the initial training program. We may, at our election, provide the Operating Manuals in a digital format, such as a CD or downloaded from our franchisee intranet, in addition to or instead of a paper copy. We may modify the Operating Manuals from time to time, but the modification will not alter your status

and rights under the Franchise Agreement. The total number of pages in the Operating Manuals is 862. The tables of contents are listed on Exhibit V.

5. Under Article 6.1 of the Franchise Agreement, we will provide you with suggestions and materials for use in your grand opening advertising and promotional campaign.

6. If you request, pursuant to Article 11.1 of the Franchise Agreement, we will provide a marketing analysis of your Territory.

7. We may but are not obligated to provide you assistance in establishing prices, such as setting minimum and/or maximum prices at which you must sell products or services.

8. Under Section 3.A of the Disaster Restoration Addendum, we will provide an initial training program for Disaster Restoration Services. There is no fee for the initial training. If in the future new personnel require this training, you may send them to subsequently held sessions of the initial Disaster Restoration Services training and the pay the then-current initial training fees, which will not exceed $3,500 per person.

9. Under Section 3.A of the COIT Stone Restore Addendum, we will provide an initial training program for COIT Stone Restore. There is no fee for the initial training. If in the future new personnel require this training, you may send them to subsequently held sessions of the initial Stone Restore Services training and the pay the then-current initial training fees, which will not exceed $3,500 per person.

10. Under Section 3.A of the Wood Floor Addendum, we will provide an initial training program for Wood Floor. There is no fee for the initial training. If in the future new personnel require this training, you may send them to subsequently held sessions of the initial Wood Floor Services training and the pay the then-current initial training fees, which will not exceed $3,500 per person.

After the Franchised Business Opens

1. Under Article 6.3 of the Franchise Agreement, we will provide additional training courses at times designated by us.

2. Under Article 7.20 of the Franchise Agreement and Section 4 of the COIT Software License & Support Agreement, we will provide refresher or additional training for our COES software and any modification, upgrade, update, enhancement, or replacement to COES. We have the right to charge a reasonable fee for any refresher or additional training that is not necessitated by a modification, upgrade, update, enhancement, or replacement to COES.

3. Under Article 7.22 of the Franchise Agreement, we will organize a national convention each year to advise you about industry information, product information, advertising, and business management techniques, and offer a networking opportunity with other COIT franchisees. You, or the person designated as responsible for the general oversight and management of the franchised business, must attend the COIT national convention each year. Will not charge you for the meetings, training classes, or materials associated with the convention, but you will be responsible for the costs of attending the convention, including the travel and living expenses for you and your employees.

4. Under Article 6.4 of the Franchise Agreement, we will provide you with such operating assistance as we deem appropriate.

5. Under Article 9.3 of the Franchise Agreement, we will loan you any updates and changes to the Operating Manuals.

6. If you request, under Article 7.1 of the Franchise Agreement, we will consult with you in the

development of your employee training program.

7. Under Article 11.1 of the Franchise Agreement, we will provide you with sample advertising and promotional programs, the type, content, media, quality and amount of which are within our discretion.

8. If you request, pursuant to Article 11.1 of the Franchise Agreement, we will provide a marketing analysis of your Territory.

9. Under Article 7.9 of the Franchise Agreement, we will provide you with our chart of accounts that you will utilize in your bookkeeping, record keeping and accounting procedures.

10. Under Article 4.A of the COIT Software License & Support Agreement, we will assist you via telephone with the setup of modifications, upgrades, updates, enhancements, or replacements to COES, if any, that we may provide. If travel to your location is required to complete an installation, you must pay the travel and lodging expenses for our personnel.

Advertising. At your request, we will provide marketing consultation, general advertising strategy, promotional planning and budgeting, and a market analysis of your Territory, as noted above. We are not required to conduct any advertising or provide any other marketing assistance. We are not required to spend any amount on advertising in the area or territory where you or any other franchisee is located.

We provide a complete advertising and marketing package to franchisees. It includes an Advertising and Marketing Manual containing sample advertising and promotional materials as well as suggestions for using creative materials. We do not guarantee the effectiveness or appropriateness for your market area of any of the ideas or materials or assistance we may provide.

Branding and Marketing Fund. Under Article 11.2 and 5.3 of the Franchise Agreement, you must contribute up to 2% of your Gross Revenues to our branding and marketing fund each month. Some COIT franchisees who operate under older franchise agreements with us are required to contribute up to 3% of their Gross Revenues, and some do not contribute to our branding and marketing fund at all because they operate under franchise agreements that do not require them to participate in or pay fees to a branding and marketing fund. The fund is not an asset of ours. All contributions to the fund are maintained in a separate account and may be used only for advertising, promoting, broadcast production and marketing of the services provided by COIT franchises, the development of the COIT brand, employment of marketing and public relations personnel and/or independent advertising and public relations consultants, the solicitation of special accounts, and administrative costs associated with the management of the fund. We are reimbursed for any labor or services that we provide to the fund and for any costs that we incur for or on behalf of the fund. The Company may loan the fund additional funds if needed. Company-owned locations are not contractually obligated to contribute to the fund under most franchise agreements. However, company-owned locations currently contribute to the fund, based upon obligations under certain franchise agreements. We intend to have company-owned locations contribute to the fund at the same rate as required by COIT franchisees, however some franchisees do not contribute at all. The fund is administered by our accounting personnel. The financial statements are prepared under Generally Accepted Accounting Principles. We will make available to any franchisee who contributes to the fund the unaudited financial statements of the fund after April 30 of each year. Except as disclosed above, neither we nor any affiliate of ours will receive any payment from the fund.

We use the fund for the development of advertising, promotional, and marketing materials, to advertise the services provided by COIT franchises in print, media and on the Internet, and to work with independent public relations consultants to develop the COIT brand. However, we have the right to change this policy at any time and to use the fund to place advertising in any media (whether national, regional, or local in distribution and scope, and including broadcast, print, or other medium). We are not required to spend any amount on advertising in your Territory. The fund may not be used for advertising that is principally a solicitation for the sale of franchises, but solicitations for the sale of COIT franchises may be an incidental part of advertising paid for by the fund (for example, the inclusion of an address and/or telephone number for information about COIT franchises on a customer brochure developed with fund contributions). During 2023 the branding and marketing fund spent 12.0% of its total expenditures on

Direct Response Advertising Production, 24.1% on Website Maintenance and 32.7% on Internet and Mobile Media Advertising, 0.9% on National Trade Shows, 7.8% on National Broadcast, 20.8% on reimbursable labor, and 1.7% were spent on administrative expenses. The fund had no retained earnings in 2023. If all advertising contributions are not spent in the fiscal year in which they accrue, expenditures made from the fund in the following year will be made first out of accumulated earnings from previous years (if any), next out of earnings in the current year, and finally from contributions.

Your Advertising. You must subscribe to 1-800-FOR-COIT service and any other designated toll-free numbers that may be established as described in Item 8 of this disclosure document. We select the carrier for this service, and we have the unrestricted right to change the carrier. You will pay monthly service fees and calling fees to the carrier for this service. We receive no fees or other consideration in connection with the toll-free number.

You are required to spend at least 10% of your Gross Revenues of Core Services on local advertising and promotion. Any amounts you pay for cooperative advertising, if established, will be credited toward this obligation.

You may use your own advertising materials, but we reserve the right to require you to first submit them to us for approval. All advertising must be within the brand guidelines. You may not establish or maintain a domain name, an Internet web site or web page including PPC landing pages that relates to or advertises your COIT franchised business or displays the Marks, as we reserve the exclusive right to control any web site.

or web pages concerning COIT franchised businesses and/or the Marks. Franchisor has the right to use and has ownership of any Franchisee developed advertising.

Advertising Cooperatives. We have established advertising cooperatives between Sacramento, California and Modesto, California and in Southern California consisting of Los Angeles County, Orange County, San Bernardino County, and Riverside County. Other than those two area cooperatives, there are no local or regional advertising cooperatives, but we have the power to reasonably form, change, dissolve or merge regional advertising cooperatives. You must participate in your regional cooperative if one is formed. Each COIT franchised business in a cooperative region, as well as any business owned by us, will have the right to vote on and ratify the Marketing Plan in accordance with its prorate share of the Designated Market Area ("DMA") population within its territory. Each member's contribution rate is calculated by dividing the advertisement costs and expenses by the DMA's population with the Member location's territory. In case of failure to reach a majority decision, we will have the power, in our unrestricted judgment, to break the tie. You must pay your pro-rata share for any cooperative advertising programs approved. There is no minimum or maximum Advertising Cooperative contribution rate, however, the amounts you pay for participation in any advertising cooperative programs approved by the Advertising Cooperative is credited towards your quarterly minimum Local Advertising expenditure requirement. Each cooperative will collect and administer its own funds and be responsible for its own activities. We can control the structure of the cooperatives and therefore could require the cooperatives to operate from written documents and provide financial reports to members, but no decisions have been made to create cooperatives or on the structure of any cooperatives which might be formed. Some COIT franchisees operate under agreements that do not require them to participate in advertising cooperatives and such franchisees who may be within your geographic region will choose not to participate in the cooperative. However, we intend where possible (*e.g.* upon renewals and transfers) to replace these old agreements with new agreements imposing these requirements.

Franchise Advisory Council. We established a Franchise Advisory Council in 1993. The purpose of the Franchise Advisory Council is to facilitate communication between our franchisees and our management, which will lead to mutual growth, development, and profitability of the entire System. The Council has 6 franchisee members elected by the franchisees at our annual national convention, and 1 non-voting member of our upper management appointed by us. Each member is elected for a 3-year term. No member may serve 2 consecutive terms. Elections are staggered to provide continuity from year to year, with 2 members being elected each year by a majority vote of franchisees in good standing in attendance at the annual national convention. There must be votes from at least 75% of all franchisees in good standing to establish a quorum to elect Council members. The Council serves in an advisory capacity only and does not have authority to establish or modify our policies or to direct or control the uses of our branding and marketing fund. We do not have the power to change or dissolve the Franchise Advisory Council.

Computer Requirements. You will need a computer system to operate the franchised business. The estimated cost of the computer system will range from $800 to $1,200 for a one- or two-user configuration. For multi-user configurations, the estimated cost will range from $1,700 to $5,700 for a dedicated server plus $700 to 1,200 per workstation. Under Article 7.20 of the Franchise Agreement, you are required to use the computer hardware and software that we designate. You must use an approved accounting program, and our proprietary COES software (described in more detail below). Currently if you offer Disaster Restoration Services under a Disaster Restoration Addendum, you must also use Xactimate®[1] or any mandated software from TPA or insurance companies, a project estimating program. Xactimate runs on Microsoft Windows-compatible personal computers, workstations, data servers, online and in the cloud. Multi-user systems can operate the required software over the Microsoft networking products. You must have high-speed Internet access to access COES and for online support for the required software. You must also have a dot-matrix printer capable of printing through a four-part invoice. COIT reserves the right to become a master seller of Xactimate. In such event Franchisees would be required to purchase the licenses through COIT. Disaster Restoration Franchises must obtain and use restoration job management software of their choosing. Additional software and hardware may be required if the disaster restoration franchisee joins and works on Third Party Administrator ("TPA") programs. Many TPA's use their proprietary application requiring the use of an Android or iOS mobile device for document signing, photo documentation, moisture mapping and uploads.

You are required (by Article 7.20 of the Franchise Agreement) to use the COIT Order Entry System, or "COES," a computer program that, with your compatible computer hardware, records customer orders, captures customer names, addresses and other information, and assists in dispatching and routing customer service calls. It also provides accounts receivable functions. COES is the only component in the required system that is proprietary to COIT. You will be required (by Article 5.5 of the Franchise Agreement and Section 3 of the COIT Software License & Support Agreement) to pay us a monthly fee for COES. The current monthly fee is $200 plus $60 for each user. We have the right to increase the fees from time to time in our discretion. As noted above in this Item, we will provide a software user service through which you will receive, without additional charge, all errors corrections, operational support and assistance reasonably necessary for COES to operate according to our standards. We have no contractual obligation to update or upgrade COES, but if we do, you are obligated to purchase and use the updates or upgrades. You agree to upgrade to the most recent version of COES by the end-of-life date provide by us. There are no specific contractual obligations limiting the frequency or cost of your obligation to acquire these upgrades and updates or to modify your computer system or replace obsolete or worn out equipment. There is no available annual cost estimates for COES or computer system upgrades and updates, as all COES upgrades to date have been provided without charge. We cannot currently estimate the annual cost of any future updates or upgrades to COES or your computer system.

Current computer system requirements and recommendations are listed in our Operating Manuals. For most of the components of your computer system, there are many brands of products on the market. In most cases, all components are readily available from a variety of sources. You will decide which brands of these components are best for your needs and budget but are urged to review your proposed equipment purchases with us before signing contracts. If you request assistance, we will review your proposal for purchasing the computer system and help you make an informed decision (Franchise Agreement Articles 7.20 and 9.3).

You will (by Article 7.20 of the Franchise Agreement) use your computer system to maintain information about your customers, prepare proposals and invoices, maintain the financial records of the franchised business, access Internet sites, and communicate with prospective and current customers, suppliers, us, and others via e-mail. You must provide us with independent access to all of the information that will be generated and stored on your computer system if we request it, including the delivery of a backup of your database. There are no contractual limitations on our right to access the information. Neither we nor any of our software suppliers has any contractual obligation to update or upgrade any of the required or recommended software. Each vendor may change and update their software as new technology becomes available. You may have to modify or replace your computer system to accommodate any such changes. You are contractually required to upgrade or update your computer system as we require during the term of the franchise. There is no specific contractual obligation limiting the frequency or cost of your obligation to acquire these software upgrades and/or updates or to modify your computer system or to replace obsolete equipment. We currently do not require you to purchase a maintenance, repair, update, or upgrade service contract for your computer system, but we have the right to do so. We cannot currently estimate the annual cost of any optional maintenance, repair, or support contracts or of any optional or required future updates or upgrades to any required or recommended software or your computer system.

We have established, and you are required to use, the COIT Intranet. You must pay us an Intranet Use Fee by the first of each month for access to and use of the COIT Intranet (Franchise Agreement Article 5.7). The current Intranet Use Fee is $19.95 for a single user and $15.95 for each additional user for each franchise. We have the right to change the Intranet Use Fee, in our discretion, effective upon 2 months written notice to you. We may in our discretion use the COIT Intranet to provide various forms of training and other assistance to franchisees, to provide access to our Operating Manuals and updates to it, for franchisees to file financial and other reports required by us, for general communications between us and franchisees, and for such other purposes as we may authorize or require from time to time. You must use the COIT Intranet for those purposes designated by us and enter into the agreement, as we may modify from time to time, that establishes the terms relating to the use of the COIT Intranet ("Terms of Use"). You may be denied access to the COIT Intranet if you do not pay the Intranet Use Fee, abide by any required Terms of Use, maintain the required computer system, or maintain connection to the COIT Intranet through an ISP (Internet Service Provider).

We reserve the right to change the computer requirements above including the addition of new or different software and hardware and you, at your own cost and expense, must comply with any new or different computer, software, hardware requirements establish by us.

Site Selection and Service Opening. You are solely responsible for selecting any facilities or offices for the operation of the franchised business. We are not obligated to do so, but will consult with you about site selection, if you request. We do not maintain any criteria for site selection other than the requirement that any office or plant facilities located in your Territory. We do not approve your site; however, your site must be within your Territory. If you will not operate a Plant, you may operate the Franchised Business from your residence, if you residence in the Territory and it is permitted by applicable building, zoning and licensing laws, ordinances, and you obtain authorization from us for use of an approved drapery cleaning provider. Article 3 of the Franchise Agreement.

The typical length of time between the earlier of signing the Franchise Agreement or the first payment of consideration for the franchise and opening the franchised business varies, but you should be able to commence operation within 120 days after signing as required by the Franchise Agreement. Factors affecting this time period include how long it takes to complete any modification of your plant, if any, to accommodate required COIT services; complete financing arrangements; comply with local ordinances and obtain permits, obtain and install equipment; your previous employment commitments (if any); your ability to complete our training program; hire and train personnel; and schedule your initial marketing campaign. Provision 13.1 (c) of the Franchise Agreement

Training Program. We provide a tuition-free initial training program for Core Services that includes orientation to the COIT system; customer service; residential and commercial sales; window covering installation; carpet, upholstery, area rug and window covering cleaning; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. The training lasts up to two weeks but may be less and or modified depending on your existing experience level. It is currently held at our Minneapolis, MN facility, but we may hold the training at one of our company-owned or franchised locations in the future. Instructional materials include manuals, videos, scripts and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you before opening the franchised business. You and anyone else involved in the day-to-day operation of the franchised business must complete the initial training to our satisfaction. You are required to attend training at the first available session, usually 30 to 60 days before you open the franchised business. You and up to 5 employees of the franchised business may attend the Core Services training without paying us any additional fees, but you must pay for all travel, lodging and other costs of attendance. We may provide training in-person, virtually, or a combination of both.

The following table summarizes the initial training program for Core Services:

TRAINING PROGRAM – CORE SERVICES

Subject	Hours of Class- room Training	Hours of On-the- Job Training	Location*
Orientation	1 hours	--	Minneapolis, MN
Customer Service	2 hours	2 hours	Minneapolis, MN
Residential Sales	1 hour	24 hours	Minneapolis, MN
Window covering Installation	1 hour	2 hours	Minneapolis, MN
Use of Software	1 hour	3 hours	Minneapolis, MN
On-Location Cleaning	2 hours	16 hours**	Minneapolis, MN
Commercial Sales	1 hour	6 hours	Minneapolis, MN
Advertising and Marketing	5 hours	--	Minneapolis, MN
Window covering Cleaning	1 hours	1 hour	Minneapolis, MN
Area Rug Cleaning	1 hour	1 hour	Minneapolis, MN
Air Duct Cleaning	1 hour	3 hours	Minneapolis, MN
Tile & Grout Cleaning	1 hour	**included above	Minneapolis, MN
Operational Management	2 hours	--	Minneapolis, MN
Financial Management	1 hour	--	Minneapolis, MN
Reporting Procedures	1 hour	--	Minneapolis, MN

Our initial training program for Disaster Restoration Services is currently taught at our Seattle company-owned location. We may change the duration and location of this course in the future or modify the amount of training you receive based on your existing experience. We may conduct training at your location. We may provide training in-person, virtually, or a combination of both.

The following table summarizes the initial 5 days training program for Disaster Restoration Services:

TRAINING PROGRAM – DISASTER RESTORATION SERVICES

Subject	Hours of Class- room Training	Hours of On- the-Job Training	Location
Business Planning	1½ hours	N/A	Seattle, WA
Operations	4 hours	N/A	Seattle, WA
Production Process	4 hours	N/A	Seattle, WA
Forms/Contracts/Collateral	2 hours	N/A	Seattle, WA
HR/Recruiting	1 hour	N/A	Seattle, WA
Safety	2 hours	N/A	Seattle, WA
Marketing/Programs	6 hours	N/A	Seattle, WA
Trade Shows	2 hours	N/A	Seattle, WA
Financial Management	1 hour	N/A	Seattle, WA
Xactimate Software Intro.	2 hours	N/A	Seattle, WA
Time & Material Invoicing	4 hours	N/A	Seattle, WA
Advertising and Marketing	3 hours	N/A	Seattle, WA
Equip. & Product Support	1 hour	N/A	Seattle, WA
Subcontractors-List/Qualifications	2 hours	N/A	Seattle, WA
Asbestos & Mold Review	1 hour	N/A	Seattle, WA

In addition to the training we provide for Disaster Restoration Services, you are required to utilize seminars and training programs provided by third parties to receive certain certifications "required" to offer Disaster Restoration Services. You must always have on staff a person or persons currently certified by the Institute of Inspection, Cleaning and Restoration Certification ("IICRC"), or equivalent certifications that we approve: (i) in Water Damage; (ii) as an Applied Structural Drying Technician; and (iii) as an Applied Microbial Remediation Technician. We do not provide the training needed for these certifications, but they should be readily available at locations in or near your region. For example, ASD Training (Applied Structural Drying) is a 4-day training course available through companies recognized by the IICRC. WRT (Water Damage Restoration) is a 3-day course available through companies recognized by the IICRC. These programs are provided at locations nationally.

TRAINING PROGRAM – COIT STONE RESTORE

We provide additional training for COIT Stone Restore, which requires an additional week of hands- on and classroom training. Upon completion you will be prepared to offer a complete line of natural stone care that includes cleaning, protecting, and restoring all natural stone surfaces. The training may be held at one of our company-owned or franchised locations. Instructional materials include manuals, scripts and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you prior to launching your COIT Stone Restore service line. You or the person responsible for the day-to-day operation of your COIT Stone Restore business must attend. You will be responsible for all travel, lodging and other costs of attendance. The amount of the training fee will vary, but will not exceed $3,500, per person subject to change. We may provide training in-person, virtually, or a combination of both.

The following table summarizes the COIT Stone Restore initial training program:

TRAINING PROGRAM —COIT STONE RESTORE SERVICES

Subject	Hours of Class- room Training	Hours of On- the- Job Training	Location
Know your Products	1 hour	1 hour	Minneapolis, MN
Advanced Cleaning & Stain Removal Procedures		6 hours	Minneapolis, MN
Diamond Lippage Removal		6 hours	Minneapolis, MN
Diamond Honing & Polishing		6 hours	Minneapolis, MN
Powder Honing & Crystallizing Cheetah pad usage & techniques		6 hours	Minneapolis, MN
Counter top/shower stall Refinishing		3 hours	Minneapolis, MN
Advertising and Marketing	3 hours		Minneapolis, MN
Pricing & Selling	2 hours		Minneapolis, MN
Operational Management	1 hours		Minneapolis, MN
Financial Management	1 hour		Minneapolis, MN
Reporting Procedures	1 hour		Minneapolis, MN

You must pay for all travel, lodging, and other costs of attendance for you and your employees.

TRAINING PROGRAM – WOOD FLOOR CARE

We provide additional training for COIT Wood Floor Care, which requires additional time of hands- on and classroom training. Upon completion you will be prepared to offer wood floor care that includes cleaning, and recoating wood floor surfaces. The training may be held at your location or at one of our company-owned or franchised locations. Instructional materials include manuals, scripts and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you prior to launching your COIT Wood Floor Care service line. You or the person responsible for the day- to-day operation of your COIT Wood Floor Care business must attend. You will be responsible for all travel, lodging and other costs of attendance. The amount of the training fee will vary, but will not exceed $3,500, per person subject to change. We may provide training in-person, virtually, or a combination of both.

The following table summarizes the Wood Floor initial training program:

TRAINING PROGRAM —WOOD FLOOR SERVICES

Subje ct	Hours of Class- room Training	Hours of On- the- Job Training	Location
Cleaning Options	1		Minneapolis, MN
Intensive Cleaning		1	Minneapolis, MN
Clean and Refinish		1	Minneapolis, MN
Pretest and Inspection Procedures		1	Minneapolis, MN
Recoating Tips		1	Minneapolis, MN
Repairs		1	Minneapolis, MN
After Sale Maintenance Tips	1		Minneapolis, MN

You must pay for all travel, lodging, and other costs of attendance for you and your employees.

Our instructors have the following experience with us:

- Bob Kearn is our President and CEO and has been since 1993. Before that Mr. Kearn was COIT's Executive Vice President, responsible for franchising for 11 years, Mr. Kearn first joined the company in 1982 on a full-time basis. Mr. Kearn has been with COIT Services for over 40 years.
- Doug Kitzmiller is and has been our Chief Financial Officer since 2005. Before that Mr. Kitzmiller held Chief Financial Officer, Chief Operating Officer, and Controller positions in privately held companies as well as worked in public accounting at Ernst & Young. Mr. Kitzmiller has more than 30 years of accounting and financing experience and is a Certified Public Accountant in Maryland.
- Sara Arlia is and has been our Chief Marketing Officer since October 2023. Prior to that she served as our Vice president of Marketing since September of 2017. Prior to COIT Sara held Director of Marketing, and Director of Sales and Marketing at startups and Comcast. Ms. Arlia has more than 15 years of advertising and marketing experience
- Brent Jenkins is and has been our Vice President of Information Systems since May of 2008. Prior to this Mr. Jenkins was Director IT for a National electrical contractor. Mr. Jenkins has had a relationship with COIT Services since 1983 as chief developer of the COIT Order Entry System. Mr. Jenkins has more than 40 years of Information Technology expertise.
- Tyler Kearn is and has been our Executive Vice President since February 2020 and VP of Strategic Development since August of 2018. Mr. Kearn has ten years of division management experience with us and other businesses as well as an MBA from the University Of Chicago Booth School Of

Business.

- Adam Lieberman is and has been our Vice President Franchising since August 2022. Prior to this Mr. Lieberman worked as both a private franchise consultant and in executive leadership roles with several franchise organizations, most recently as the Vice President of Operations and Portfolio Management for Dickey's Barbecue Restaurants and has 20 years of franchising experience.

- Richard Burton is and has been our Vice President Operations since February 2020 and Director of Franchising since September of 2009 and has been with COIT Services for over 20 years including as Branch Manager, Operations Manager and General Manager before holding his current position.

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- Robert Gonzalez is and has been our Director of Operations since March 2021 and Operational Support Manager prior to that. Robert has been with us since 2009. Mr. Gonzalez has certifications through IICRC, BONA, NADCA, and Harris County Community College. Certifications include Water Restoration, Carpet, Upholstery, NADCA ASCS, Air Conditioning Technician Certification, Wood Floor Technician, OSHA Safety Certified, and EPA Certified.
- Craig Powers is our Director Restoration and has been with us since 1995. Mr. Powers held the following positions with Coit; Seattle Restoration Manager, Corporate Technical Support Manager, Corporate Director of Restoration and is currently on the Board of Directors and Education Committee of the Restoration Industry Association. He has 34 years' experience in the industry.

- Gus Velasco is the Division Manager of our company-owned location in Houston, Texas, and has been with us since 1989. Mr. Velasco has over 30 years' experience at Coit. Prior to Coit he served in the Marine Corps for 4 years.

- Kathy Wohl is our Franchise Support Manager and has been with us since 2006 and was a Franchisee prior to this. Ms. Wohl has over 35 years of experience with COIT and works directly with each Franchise to assist in training and growth.

- Nate Wohl is our Franchise Support Manager since 2023 and was our Division Manager of our company-owned location in Minneapolis, Minnesota and been with us since 2010.

- Anna Erickson is our Sr. Marketing Manager and has been with COIT since 2020. Ms. Erickson held the position of Social Media Manager for two-years with COIT before taking on her new role as Sr. Marketing Manager. She has experience working on the digital agency side and the client side of marketing.

We may change, add to, or make substitutions for the instructors listed in the tables above as necessary or appropriate. All instructors and substitute instructors will have a minimum of one year of experience or training in the COIT System or the subject matter that they provide training and instruction.

We will provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement and will host national conventions at times and locations selected by us. You must attend the national convention. We may require attendance at other additional training programs. You must pay for all travel, lodging and other costs of attending training and the national convention. We may charge a reasonable per diem fee for other training programs. In the current fiscal year, there will be no more than two to five additional training programs and the programs will be between one and four days long.

We currently offer, from time to time optional training programs including COIT College and a Restoration Summits, Vendor Training Programs, Business Development Summit and others. All are either 2 or 3 day programs. You must pay a training fee (currently $395) for each program. We may change the fee at any time.

ITEM 12. TERRITORY

You will receive an exclusive territory (the "Territory") in which to operate your franchised business. The Territory is typically a geographical area containing at least 100,000 households but may be smaller depending on the market area. We generally do not grant Territories larger than 500,000 households, but we reserve the right to do so. The franchise is not granted for a specific location, but your office or facility must be located within the Territory. We do not maintain any condition for relocation other than the requirement that any office or plant facilities be located in your Territory. You may only solicit customers and accept orders within your Territory, and you do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Territory, unless we give you written consent to serve another specified area where no other COIT franchise or company-owned unit is located. If you are granted consent to service another specified area. You shall be obligated to pay royalty fee to us for the services performed. We reserve various rights in your Territory as explained in greater detail below. Subject to these limitations, if you comply with the Franchise Agreement, we will not operate a business using the COIT System and the Marks within the Territory or authorize anyone else to operate a business using the COIT System and the Marks within the Territory during the term of the Franchise Agreement. We are not obligated to ensure that no other franchisee will conduct

operations in your Territory. Although such activities are discouraged, we reserve the right to determine how to respond to any such situation.

Except as described in the following paragraphs, neither we nor any affiliate of ours has the right to use other channels of distribution to make sales within your Territory under our current Marks or different trademarks. Our reserved rights, which limit your exclusivity in the Territory, are as follows:

1. We reserve the right to redefine the Territory's geographic area to exclude counties in which Franchisee fails to report Gross Revenues of at least $5,000 annually and to exclude counties which the Franchisee fails to continuously advertise such as online paid search advertisements such as Google Adwords.

2. We reserve the right to develop other businesses that offer products or services other than those you will be initially authorized to offer. We anticipate that we may grant some of our franchisees rights to offer new services as we develop them, and in some cases these products or services may be identified by different trademarks. We may impose additional contractual requirements and fees for these opportunities. We do not promise, and you should not assume that you will receive rights to offer any of these new services, either under your COIT Franchise Agreement or another agreement or trademark.

3. We reserve the right to establish and license others to establish businesses that use the COIT System and Marks within your Territory, if you fail to remain in compliance with the Franchise Agreement (including the requirement to offer all services and products that we require).

4. We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the franchisee's territory using the franchisor's principal trademarks.

5. We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within the franchisee's territory of products or services under trademarks different from the ones the franchisee will use under the franchise agreement.

6. We reserve right to establish, acquire and franchise businesses that offer any products or services—

including products or services similar to those that you will offer in the franchised business—identified by different trademarks, even within your Territory. Except as described in Item 1 of this disclosure document relating to the WELDON BROS., VACCO, MERLE WEST, and SUPERIOR trademarks, we do not currently operate or franchise, or plan to operate or franchise, under a different trade name or trademark in your Territory, any business that offers products or services similar to those you will be initially authorized to offer.

7. Special Accounts. We have the exclusive right to control all business with Special Accounts, subject to your right to participate in Special Account business in your Territory as described in this paragraph. A "Special Account" is a business or other organization whose offices, stores, plants, buildings or other physical facilities are not confined to the territory of a single COIT franchisee or company-owned or affiliated business. We will offer you first option of providing the services to Special Account facilities in your Territory at the prices minus any applicable account sales commission and Administrative Fee and subject to the contract requirements we negotiate with the Special Account. If you accept the project, we will collect amounts due from the Special Account and remit to you the amount due for services you provided to the Special Account, less the amount of any applicable account sales commission and Administrative Fee. All amounts you receive from Special

Account work are included in Gross Revenues for purposes of calculating your royalty payments. If you decline to service a Special Account, we have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner whatsoever, including through another COIT franchisee, a company-owned or affiliated business, or a third party contractor. If a Special Account requests that someone other than you provide services in the Territory, we may revoke your right to provide the services and may fulfill the contract requirements to the Special Account in the Territory in any manner we select.

8. Restoration, COIT Stone Restore, and Wood Floor. If you are not a party to a Disaster Restoration Addendum, COIT Stone Restore Addendum, and/or Wood Floor Addendum we have the right to provide or authorize others to provide such applicable Services to any customers in your Territory. Although we currently have no plans to do so, we have the right to develop and adopt a separate brand for COIT Stone Restore, Restoration, and/or Wood Floor. If we do, you may be required to adopt and use different trademarks, trade names, trade dress, and other commercial symbols to identify your COIT Stone Restore services, Disaster Restoration services, and/or Wood Floor Services and/or to establish and maintain a separate business entity to offer and provide the COIT Stone Restore Services, Disaster Restoration Services, and/or Wood Floor Services. If you are a party to a Disaster Restoration Addendum, COIT Stone Restore Addendum and/or Wood Floor Addendum and you are not certified, trained or approved to provide the service we have the right to perform the service or allow another Franchisee to perform that service in your territory without any compensation to you. This would include Disaster Restoration Services referred from Third Party Administrators ("TPA") where you have not signed up with or been approved by the TPA.

9. Acquisition of Competing Franchise System or Competitive Business. If we acquire another franchise system of businesses or Competitive Business that are the same as, or substantially similar to, COIT franchises then operating under our franchise system, we will offer you the option to purchase and operate, as a COIT franchise, any unit of the acquired system that is located within your Territory (excluding units to be operated by a licensee of the acquired system). We will notify you of our purchase of the acquired system and the terms and conditions applicable to your option to purchase any acquired units. The purchase price we offer you will reflect our cost to purchase the acquired units, including a per-unit allocation of our costs to purchase the entire acquired system. You must enter into our then-current form of COIT Franchise Agreement for the acquired unit, but you will not be required to pay an initial or successor franchisee fee. If you do not elect to purchase, or fail to complete the purchase of, an acquired unit, we will have the right to operate the acquired unit under any trade name or trademark other than the Marks used for COIT franchises.

We are not required to pay you any compensation for soliciting or accepting orders inside your franchise territory. You will have no right to purchase any acquired unit that is operated by a licensee under the system we acquire. We may license those units to be operated under any trade name or trademark other than the Marks used for COIT franchises and may also license additional units of the acquired system to be developed and operated within your Territory.

Except as described in the previous paragraphs, as long as you are in good standing under the Franchise Agreement, we will not, within the Territory, operate or establish or authorize another to operate or establish a business using the Marks and offering the same products and services as the franchised business..

If you are in good standing under the Franchise Agreement and otherwise meet our financial qualifications you may request that we sell you another COIT franchise. We reserve the right to determine in our discretion whether to sell you another franchise. If you buy an additional franchise, it will be under the then-current form of Franchise Agreement and other applicable agreements that

may be different from those described in this disclosure document. We are currently offering to existing franchisees who acquire another Core Services franchise a discount of $6,000 off of the initial fee then being charged to new franchisees. We reserve the right in the future to discontinue or modify these practices and discount for new franchises.

Your Franchise Agreement does not give you any other option, right of first refusal, or similar right to acquire additional franchises. However, we may offer a right of first refusal to purchase an additional franchise to those COIT franchisees who have demonstrated a high level of competence in operating their franchise and who possess adequate financial resources to operate multiple locations. The price for a right of first refusal is 10% of our then-current initial franchise fee for the Territory covered by the right of first refusal. The price would be credited toward the initial franchise fee if you exercise the right of first refusal. A right of first refusal would give you the right to purchase a specific territory first if a prospective franchisee expressed an interest in purchasing the Territory. You would have 30 days to exercise the right by paying the initial franchise fee, which would be non-refundable. A right of first refusal lasts for 2 years. We have the right to grant or decline to grant a right of first refusal in our discretion.

Your Territory rights are not dependent on achieving a certain sales volume or market penetration. However, we may establish another franchise or company-owned location in the Territory if you fail to comply with the Franchise Agreement including the requirements to offer and provide to customers in all parts of the Territory all of the Core Services and such other services that we make mandatory, provide daily service in the Territory and provide required customer telephone service. Except as disclosed in this Item 12, there are no other circumstances that permit us to modify your territorial rights.

ITEM 13.   TRADEMARKS

Our principal trademarks (the “Marks”) are described below and have been registered on the Principal Register of the United States Patent and Trademark Office (the “Trademark Office”):

Registration Number	Mark	Class	Registration Date
877,943	COIT (word mark)	40	September 30, 1969
1,897,758	COIT (word mark)	37	June 6, 1995
1,901,024	COIT (word mark)	42	June 20, 1995
1,898,486	COIT (word mark)	3	June 13, 1995
2,190,853	COIT Truck (design and word mark)	37	September 22, 1998
2,307,782	FloorRenew	37	January 11, 2000

2,537,842	COIT (word mark)	37	February 12, 2002
3,507,250	COIT	37 & 40	September 30, 2008
9,0037,724	COIT CLEANING & RESTORATION (design and word mark)	037	February 23, 2021

We have filed all required affidavits and renewals with respect to these registrations.

There are no currently effective material determinations of the Trademark Office, the Trademark Trial and Appeal Board, or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Marks.

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We are not aware of any infringing uses of the Marks that could materially affect your use of them.

You must use the Marks in the operation and promotion of the franchised business. You may not change or add to the Marks when you use them, except: (1) for franchisees converting an existing business into a COIT franchised business; and (2) franchisees acquiring a competing business in order to merge it into their COIT franchised business, in which case these franchisees may be permitted to use the trademarks of the competing business for a limited time. You cannot use any other identifying words in connection with the Marks without our prior written consent. You must follow the requirements of the Franchise Agreement and the rules in the Operating Manuals in using the Marks. You must advertise and promote the franchised business only under the Marks without any accompanying words or symbols, except as otherwise required by law and approved by us in writing.

You agree to immediately notify us when you learn of any infringement or unauthorized use of the Marks or any challenge to your use of the Marks. We are not obligated to take affirmative action in response to these situations. We will take whatever action we consider appropriate and will have control over any litigation or settlement of these matters. We are not required to defend you against a claim against your use of our Marks or indemnify you for your liability or expenses arising from your defense of such a claim.

We can require you to modify or discontinue the use of any of the Marks or to adopt additional or substitute trademarks or service marks within a reasonable time after notice to you. If that happens, we will reimburse you for reasonable out of pocket expenses related to the change that we approve in advance.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no patents material to the franchise. We own no copyright registrations material to the franchise. We do have unregistered copyrights in our COES software, our Operating Manuals, and all printed, audio-visual and other materials developed and distributed for use by us or our franchisees (collectively called the "Proprietary Information"). Information not protected by copyright, but which is confidential to us, such as information about our methods, policies, and marketing programs, is also part of the Proprietary Information.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. We are not obligated to protect these copyrights.

We are not obligated to defend or indemnify you if you are made a party to any proceeding because of the copyrights. If your use of the COES software is enjoined as a result of a claim by a third party, we will either: (i) procure for you the right to continue using the COES software; or (ii) replace the COES software or modify it so that it does not infringe the third party's rights.

The COES software may not be operated by anyone other than you and personnel of the Franchised Business, may not be operated on equipment other than equipment we approve, may not be used in conjunction with any other computer applications, and may not be operated at locations other than the Franchised Business except as otherwise permitted in the Operating Manuals. You must establish and maintain any security precautions that we require to protect the COES software. For a complete description of your obligations regarding the COES software, see the COIT Software License & Support Agreement.

You will not acquire any interest in the Proprietary Information. All Proprietary Information must be returned to us immediately upon the termination of the Franchise Agreement for any reason. The Proprietary Information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Operating Manuals or any other written communication from us; (4) will not disclose or duplicate any part of the Proprietary Information other than disclosure to an employee of the franchised business to the extent necessary to do his or her job; and (5) will adopt and implement all reasonable procedures we may require to prevent unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the franchised business and the use of nondisclosure and noncompetition clauses in employment agreements. All shareholders, officers, directors, partners, and members of the franchisee are presumed to have access to Proprietary Information, and must sign a Nondisclosure and Noncompetition Agreement to maintain the confidentiality of the Proprietary Information and conform with the noncompetition covenants.

You must inform us in writing if anyone breaches the Nondisclosure and Noncompetition Agreement or if there is any other violation of the obligations regarding any of the Proprietary Information or if you learn about any improper use of any of it.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The individual with the controlling ownership interest in the franchisee entity must supervise the operation of the franchised business. You must maintain a full-time manager of the franchised business who must successfully complete the initial training program to our satisfaction. The manager need not have an ownership interest in the franchise. No individual franchisee, or any shareholder, partner, member, or other owner of a business entity franchisee or spouse individual franchisee, or any shareholder, partner, member, or other owner of a business entity franchisee may compete with us or own an interest in any competitor of ours anywhere during the term of your Franchise Agreement or within your franchise territory for two years after the expiration or termination of your Franchise Agreement.

Each shareholder, partner, member, and other equity owner of the franchisee, and each individual shareholder, partner, member, and other equity owner of any shareholder, partner, member, and other equity owner that is itself a business entity, must personally guarantee all of the franchisee's the obligations and performance under the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The operation of the franchised business is restricted to the sale of services and goods specified by us. Currently "Core Services" include cleaning of window coverings, carpets, area rugs, upholstery, tile, grout, and air ducts. COIT franchised businesses are authorized to provide all of the Core Services and may provide certain other services and goods as we may approve from time to time. Only franchisees who have entered into a Disaster Restoration Addendum may offer Disaster Restoration Services, only franchisees who have entered into COIT Stone Restore Addendum may offer COIT Stone Restore Services, and only franchisees who have entered into a Wood Floor Addendum may offer Wood Floor services.

You must offer to customers in all parts of the Territory all of the Core Services and any other that we designate as mandatory. If you have a Disaster Restoration Addendum, you must offer all of those services to customers throughout your Territory. If you have a COIT Stone Restore Addendum, you must offer all of those services to customers throughout your Territory. If you have a Wood Floor Addendum, you must offer all of those services to customers throughout your Territory. We may change the mandatory or permitted services upon written notice and you will have 120 days to comply with the notice by either adding the new product or service or discontinuing any product or service that we no longer permit. Otherwise, there is no restriction on our right to change the required or permitted services.

You must participate in and fully comply with any customer warranty or guaranty or customer satisfaction program we may establish from time to time. You are prohibited from selling goods or services outside of the Territory (see Item 12).

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document. References are to articles in the Franchise Agreement unless otherwise noted.

THE FRANCHISE RELATIONSHIP

	Provision	Article in Franchise Agreement	Summary
a.	Term of the franchise	2.1	Ten years from date of Agreement.
b.	Renewal or extension of the term	2.2	There is no right to renew your franchise, but we will sell you a successor franchise for another 10-year term for 10% of our then-current initial franchise fee on the then-current franchise agreement.
c.	Requirements for you to renew or extend	2.2	You must: be in good standing and have complied with Franchise Agreement throughout term; give notice 9 to 12 months before Franchise Agreement expires; execute then-current form of Franchise Agreement; meet our then-current standards for new franchisees; complete any refresher training required; have the right to possession of the franchise premises; and pay a renewal fee of 10% of the then-current franchise fee. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d.	Termination by you	Section 4.B of Disaster Restoration	If you cannot obtain insurance required for the Disaster Restoration Services, you may terminate the Disaster Restoration Addendum between 60

	Provision	Article in Franchise Agreement	Summary
		Addendum	and 90 days after signing, subject to state law .
e.	Termination by us without cause	None	Not applicable
f.	Termination by us with cause	13.1 and 13.2	We can terminate only if you default.
g.	"Cause" defined -- defaults which can be cured	13.2	Payment defaults; failure to: submit required reports, comply with customer phone service requirements, offer required products and services, spend the minimum local advertising amount for 2 consecutive quarters, cease operating outside of Territory, failure to complete required employee background checks, or comply with any obligation or agreement not otherwise covered by Section 13.1 or 13.2.
h.	"Cause" defined -- defaults which cannot be cured	13.1	Abandonment; fail to begin training within 4 months after Franchise Agreement signed; fail to complete training to our satisfaction; fail to open franchise within 6 months after Franchise Agreement signed; material misrepresentations on franchise application; conviction or no contest plea to felony; conviction or no contest plea to crime that adversely affects reputation; misconduct that affects reputation and goodwill; providing unauthorized services; unauthorized use of Marks or Proprietary Information; fail to maintain required insurance; fail to timely pay amounts due creditors or maintain responsible credit rating; fail after 10 days notice to comply with any law applicable to franchised business; default on same obligation under agreement 3 or more times in any 1-year period regardless of whether cured; under reporting of gross revenues by more than 5%, make assignment for benefit of creditors or admit insolvency; file bankruptcy; fail for two successive years to attend annual convention or mandatory training; ownership of Competitive Business; consistent failure to comply with agreement; health or safety hazards in operation; unauthorized transfer.

	Provision	Article in Franchise Agreement	Summary
i.	Your obligations on termination or nonrenewal	14.1 and 14.2	Stop using Marks and de-identify, transfer all published phone numbers and any domain name registrations to us; pay amounts you owe us; cancel trade name registrations; return Operating Manuals and confidential materials; stop using Proprietary Information; stop using COES and return the COES database and comply with restrictions on post-termination competition (also see r. below).
j.	Assignment of contract by us	12.1	No restriction on our right to assign.
k.	"Transfer" by you – definition	12.2	Includes any voluntary or involuntary, direct or indirect transfer of contract or assets, ownership change, and encumbrance.
l.	Our approval of transfer by franchisee	12.2	We have the right to approve all transfers but may not unreasonably withhold consent.
m.	Conditions for COIT approval of transfer	12.2	Requires: 30 days' notice to us and our waiver of right of first refusal; our approval of assignee; assumption of your obligations by assignee; payment of all amounts due us; lessor consents if applicable; franchised business in compliance with operational standards; assignee signs then-current form of franchise and other agreements; assignee successfully completes initial training for new franchisees; payment of $5,000 transfer fee plus legal expenses; our approval of material terms of transfer; execution of a non- compete by transferor. You may not transfer to a competitor or grant any security interest in your franchise.
n.	Our right of first refusal to acquire your business	12.4	We have the right to match any offer for your business. You must give us a copy of the offer; we have 30 days to exercise our right and 60 days to close, whichever longer; right reactivates if transfer to 3rd party not closed in 120 days or if material change in terms.
o.	Our option to purchase your business	42.2	Upon termination or expiration of your Franchise Agreement, we may, at our option, purchase any or all equipment, assets, or supplies at fair market value. If you desire to sell your business, we will

	Provision	Article in Franchise Agreement	Summary
			have a right of first refusal prior to such sale.
p.	Your death or disability	12.5	Must transfer to an approved 3rd party within 6 months subject to all conditions except transfer fee.
q.	Noncompetition covenants during the term of the franchise	15.2	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights; cannot employ our or another franchisee's employees, subject to state law.
r.	Noncompetition covenants after the franchise is terminated or expires	15.2	No involvement in competing business for 2 years in, or within 60 miles of, your Territory; no solicitation of customers of your franchise for 2 years, subject to state law.
s.	Modification of the agreement	18.3	Except modifications that are required by law, the agreement can only be modified by another written agreement signed by the parties.
t.	Integration/merger clauses	18.1	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside the disclosure document may not be enforceable. Nothing in the franchise agreement waives or disclaims the disclosures made in this disclosure document.
u.	Dispute resolution by arbitration or mediation	16.1 and 16.2	Except for claims related to your use of the Marks, our right to possession of the Plant, unauthorized use of Proprietary Information, your violation of the noncompetition provisions, or re- quests for temporary restraining orders, preliminary or permanent injunctions or other court procedures to obtain interim or permanent relief, all disputes must be submitted to mediation and then binding arbitration.
v.	Choice of forum	16.1 and 16.6	All claims must be brought in San Mateo County, California, except either party may be sued in their own location (subject to state law).
w.	Choice of law	16.5	State where franchised business is located (subject to state law)..

A provision in your Franchise Agreement that terminates the franchise on your bankruptcy may not be enforceable under federal bankruptcy law.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

Below are the gross sales reported in 2023 by 37 franchise outlets located in the United States, that were open for the full 12 months in 2023 and that did not experience a transfer of the Franchised Business or assets and provided Gross Sales to us.

The term "Gross Sales" means the total revenue derived from the sale of goods or services minus sales tax, discounts, allowances, and returns.

During the year 2023, there were 2 franchises that were closed for part of year due to a transfer and 1 franchise outlet that did not report sales to us; these franchise outlets are not included in the below representation. There was also a total of 9 Company owned outlets open during the period that these gross sales were obtained. The company owned outlets are not included in this representation.

These figures were compiled from franchisee gross sales reports in accordance with generally accepted accounting principles.

The franchisee reports were not audited. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

The average annual gross sales from Core Services for these franchises were $1,066,887. Eight of those 37 locations, or about 28%, met or exceeded that average. Franchisees are grouped according to the number of households in their territory.

	Number	H.H.	Core Services 2023	Average	Median	Restoration 2023	Average	Median
Under 100,000 Households								
Location 1	1	97,306	$ 75,500 **			$ 261,748 **		
Location 2	1	91,202	42,985 *			- *		
Sub-Total	2		$ 118,485	59,243	59,243	$ 261,748	261,748	261,748
100-200,000 Households								
Location 1	1	118,006	$ 323,904 **			- *		
Location 2	1	198,390	123,655 *			$ 6,407 **		
Sub-Total	2		$ 447,559	$ 223,780	$ 223,780	$ 6,407	$ 6,407	$ 6,407
200-300,000 Households								
Location 1	1	238,644	$ 446,690			$ 25,194		
Location 2	1	266,521	489,807 **			4,145 *		
Location 3	1	227,844	408,270			4,003,464 **		
Location 4	1	265,759	61,789			-		
Location 5	1	278,449	45,813 *			-		
Sub-Total	5		$ 1,452,369	$ 290,474	$ 408,270	$ 4,032,803	$1,344,268	$ 25,194
300-500,000 Households								
Location 1	1	331,540	$ 289,069			$ 95,672 **		
Location 2	1	387,229	498,526			29,383		
Location 3	1	388,366	328,361			22,057		
Location 4	1	360,253	153,832			-		
Location 5	1	383,308	121,186 *			-		
Location 6	1	492,586	493,405			14,845 *		
Location 7	1	436,061	655,325 **			-		
Sub-Total	7		$ 2,539,704	$ 362,815	$ 328,361	$ 161,957	$ 40,489	$ 25,720
500-750,000 Households								
Location 1	1	531,259	$ 3,103,168 **			-		
Location 2	1	594,773	340,162			$ 31,322		
Location 3	1	663,639	960,376			12,836 *		
Location 4	1	599,151	149,211			58,187		
Location 5	1	552,301	146,394 *			130,113 **		
Location 6	1	698,801	233,270			-		
Sub-Total	6		$ 4,932,581	$ 822,097	$ 286,716	$ 232,458	$ 58,115	$ 44,755

750-1,000,000 Households								
Location 1	1	812,169	$ 800,386			$ 261,569	*	
Location 2	1	755,130	76,645	*		-		
Location 3	1	795,417	6,119,292	**		691,753		
Location 4	1	873,630	5,055,102			882,445	**	
Location 5	1	830,736	1,275,763			-		
Location 6	1	942,965	4,262,649			400,967		
Location 7	1	934,161	1,633,584			-		
Location 8	1	961,700	1,138,534			655,636		
Sub-Total	8		$19,223,421	$2,402,928	$1,633,584	$ 2,236,734	$ 447,347	$ 546,360
1,000,000 + Households								
Location 1	1	2,135,628	$ 738,231			$ 374,891	**	
Location 2	1	1,145,854	156,435	*		-		
Location 3	1	2,227,932	7,121,596	**		93,189		
Location 4	1	2,349,685	683,253			150	*	
Location 5	1	1,392,249	370,031			1,500		
Location 6	1	1,057,592	725,024			10,531		
Location 7	1	1,139,899	966,145			31,589		
Sub-Total	7		$ 10,760,715	$1,537,245	$ 725,024	$ 511,850	$ 85,308	$ 21,060
Total US Operations	37		$ 39,474,834			$ 7,443,957		
Average Revenues per Unit			$ 1,066,887			$ 310,165		
Number of units			37			24		
Operations exceeding avg.			8			6		
Operations not exceeding avg.			29			18		
Percentage of operations exceeding avg.			28%			33%		
Median Revenues per unit			$ 446,690			$ 31,589		

Operations not exceeding median 18 12

NOTE: Some Franchises have signed the Restoration Addendum, the Stone Addendum and Wood Floor Addendum but have not offered the service yet.

Denotes the lowest in each sub-set *
Denotes the highest in each sub-set **

Excludes Franchise locations that were not open for an entire year (2) and one bought out location that is not required to report revenues

	Number	H.H.	Stone Restore 2023	Average	Median	Wood Floor 2023	Average	Median
Under 100,000 Households								
Location 1	1	97,306	1,009	**	0	0	*	0
Location 2	1	91,202	510	*	0	1,033	**	0
Sub-Total	2		1,519	760	760	1,033	1,033	1,033
100-200,000 Households								
Location 1	1	118,006	1,950	*	0	8,796	**	0
Location 2	1	198,390	18,095	**	0	0	*	0
Sub-Total	2		20,045	10,023	10,023	8,796	8,796	8,796
200-300,000 Households								
Location 1	1	238,644	446,690			25,194		
Location 2	1	266,521	489,807	**		4,145	*	
Location 3	1	227,844	408,270			4,003,464	**	
Location 4	1	265,759	0			0		
Location 5	1	278,449	1,288	*		0		
Sub-Total	5		67,139	16,785		24,438		
300-500,000 Households								
Location 1	1	331,540	289,069			95,672	**	
Location 2	1	387,229	498,526			29,383		
Location 3	1	388,366	328,361			22,057		
Location 4	1	360,253	153,832			0		
Location 5	1	383,308	121,186	*		0		
Location 6	1	492,586	20,082			6,076	*	
Location 7	1	436,061	45,918	**		7,005		

Sub-Total	7		114,759		19,127		25,938		4,323	
500-750,000 Households										
Location 1	1	531,259	0	0			38,009			
Location 2	1	594,773	5,333				12,032			
Location 3	1	663,639	17,188	**			38,397			
Location 4	1	599,151	1,107	*			6,450			
Location 5	1	552,301	5,121				2,288			
Location 6	1	698,801	2,905	0			7,222			
Sub-Total	6		31,654		6,331		104,398			
750-1,000,000 Households										
Location 1	1	812,169	10,587	*			9,938	*		
Location 2	1	755,130	0				0			
Location 3	1	795,417	206,300	**			176,880	**		
Location 4	1	873,630	38,063				55,761			
Location 5	1	830,736	75,341				32,928			
Location 6	1	942,965	80,657				84,194			
Location 7	1	934,161	0				18,211			
Location 8	1	961,700	29,335				27,057			
Sub-Total	8		410,948		68,491	75,341	377,912	53,987		44,345
1,000,000 + Households										
Location 1	1	2,135,628	599	*			5,176	*		
Location 2	1	1,145,854	4,895				16,188			
Location 3	1	2,227,932	404,395	**			106,823	**		
Location 4	1	2,349,685	3,373				5,848			
Location 5	1	1,392,249	8,620				3,450			
Location 6	1	1,057,592	37,295				17,318			
Location 7	1	1,139,899	71,000				49,453			
Sub-Total	7		530,177		75,740	8,620	204,256		29,179	16,188
Total US Operations	37		1,176,241				746,771			
Average Revenues per Unit			$ 36,758				$ 24,089			
Number of units			32				31			
Operations exceeding avg.			8				9			

Operations not exceeding avg.	22	20
Percentage of operations exceeding avg.	36%	45%
Median Revenues per unit	$ 24,709	$ 17,318
Operations not exceeding median	16	15

NOTE: Some Franchises have signed the Restoration Addendum, the Stone Addendum and Wood Floor Addendum but have not offered the service yet.

Denotes the lowest in each sub-set *
Denotes the highest in each sub-set **

Excludes Franchise locations that were not open for an entire year (2) and one bought out location that is not required to report revenues

Other than the preceding financial performance representation, COIT Services, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Doug Kitzmiller at 897 Hinckley Road, Burlingame, California 94010, (800) 243-8797 (ext. 2004), the Federal Trade Commission, and the appropriate.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	38	40	+2
	2022	40	40	+0
	2023	40	42	+2
Company-Owned	2021	9	9	0
	2022	9	9	0
	2023	9	9	0
TOTAL OUTLETS	**2021**	**47**	**49**	**+2**
	2022	**49**	**49**	**0**
	2023	**49**	**51**	**+2**

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
Ohio	2021	3
	2022	0
	2023	0
Missouri	2021	0
	2022	1
	2023	0

State	Year	Number of Transfers
Arizona	2021	0
	2022	0
	2023	1
Tennessee	2021	0
	2022	1
	2023	0
Georgia	2021	0
	2022	0
	2023	1
TOTAL	**2021**	**3**
	2022	**2**
	2023	**2**

Table No. 3
STATUS OF FRANCHISED OUTLETS
For Years 2021 to 2023*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Arizona	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	5	1	2	0	0	0	4
	2022	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023	4	0	0	0	0	0	4
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Delaware	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Hawaii	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Illinois	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Jersey	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
New Mexico	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
North Carolina	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Ohio	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Oregon	2021	1	1	0	0	0	0	2
	2022	1	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Penn-sylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023	1	0	0	0	0	0	1
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	0	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Washington	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
U.S. TOTAL	2021	**36**	**4**	**2**	**0**	**0**	**0**	**38**
	2022	**38**	**0**	**0**	**0**	**0**	**0**	**38**
	2023	**38**	**2**	**0**	**0**	**0**	**0**	**40**
Canada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Thailand	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTAL	2021	**38**	**4**	**2**	**0**	**0**	**0**	**40**
	2022	**40**	**0**	**0**	**0**	**0**	**0**	**40**
	2023	**40**	**2**	**0**	**0**	**0**	**0**	**42**

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Where a franchise territory covers more than one state, the franchise for purposes of this table is assigned to the state where it has the bulk of its operation, which is not necessarily the same state shown in the business address in the list of franchisees Exhibit T.

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
California	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
Florida	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Minnesota	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Texas	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Utah	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Washington	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
TOTAL	**2021**	**9**	**0**	**0**	**0**	**0**	**9**
	2022	**9**	**0**	**0**	**0**	**0**	**9**
	2023	**9**	**0**	**0**	**0**	**0**	**9**

Table No. 5
PROJECTED OPENINGS
As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- Owned Outlet in the Next Fiscal Year
California	0	1	0
Ohio	1	1	0
South Carolina	0	0	0
Tennessee	1	0	0
Florida	1	0	0
TOTAL	**3**	**4**	**0**

No new company-owned locations are projected to be opened in the next fiscal year. The number of new franchised locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this disclosure document. There is no assurance that the actual number of openings, or the states in which we projected the openings, will be the same as our estimates.

A list of the names, addresses, and telephone numbers of all COIT franchisees is attached to this disclosure document as Exhibit T. A list of the names, last known home addresses, and telephone numbers of every COIT franchisee who has had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this disclosure document, is attached to this disclosure document as Exhibit T. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Some COIT franchisees have signed confidentiality clauses during the last 3 fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the COIT system. While we encourage you to speak with current and former franchisees, be aware that not all such franchisees will be able to communicate with you.

Our Franchise Advisory Council has no office address; however, the current chairperson of the council is Brad Hunsucker, whose address, telephone number and email address are 23580 Miles Road, Bedford Heights, OH 44128, 216-471-5701, brad@cleveland.coit.com.

As of the date of this disclosure document, there are no other trademark-specific franchisee organizations associated with the COIT franchise system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Our unaudited financials as of May 31, 2024, and our audited Consolidated Balance Sheets as of December 31, 2022, and 2023, and our audited Consolidated Statements of Income, Stockholders' Equity, and Cash Flows for the fiscal years ending December 31, 2021, 2022 and 2023 are attached to this disclosure document as Exhibit U.

Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

The following exhibits to this disclosure document are the contracts used by us in offering franchises:

Exhibit A – Franchise Agreement
Exhibit B – Authorization For Electronic Transfer of Funds
Exhibit C – Promissory Note
Exhibit D – Nondisclosure and Noncompetition Agreement
Exhibit E – Continuing Guaranty and Assumption of Obligations
Exhibit F – Telephone/Internet Power of Attorney
Exhibit G – COIT Software License & Support Agreement
Exhibit H – Terms of Use Agreement for COIT Intranet
Exhibit I – Addendum for Conversion Franchise
Exhibit J – Addendum for Successor Franchise
Exhibit K – Addendum for Disaster Restoration Services
Exhibit L – Addendum for COIT Stone Restore Services
Exhibit M – Addendum for COIT Wood Floor Services
Exhibit N – COIT Hosting Service Agreement
Exhibit O – Right of First Refusal
Exhibit P - Contact Center Service Agreement
Exhibit Q – E-Mail Hosting Agreement
Exhibit R Consumer Relations Management (CRM) Software Agreement
Exhibit W – State specific Addenda

ITEM 23. RECEIPTS

The last page of this disclosure document is a detachable document that you must sign to acknowledge your receipt of this disclosure document.

EXHIBIT A. FRANCHISE AGREEMENT WITH EXHIBITS

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT SERVICES, INC.

FRANCHISE AGREEMENT

Effective Date of this Agreement:_____________________________

Required Opening Date – No Later Than:______________________

Expiration Date:____

Franchisor:___________COIT Services, Inc.____________________

Franchisee:____

Location:____

Initial Franchise Fee: $________________________

Transfer Fee: $________________________________

Successor Franchise Fee: $_______________________

Franchise Number:______________________

Designated Principal: _____________________________

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Franchisor: COIT SERVICES, INC., a California corporation with its principal office at 897 Hinckley Road, Burlingame, California 94010,

and

Franchisee: ______________________________________, whose principal address is

____

____

PREAMBLE:

A. Franchisor has dedicated time, skill, effort and money to develop a high-quality business for delivering a variety of services to customers. These services include drapery, carpet, upholstery, area rug and air duct cleaning, tile and grout cleaning, and such other services as Franchisor may specify from time to time.

B. Franchisor owns and operates business locations, and licenses others to operate franchised locations, using the Operating System and the Marks (as defined in article 19.ll), all of which Franchisor may modify.

C. Franchisor has used the Marks continuously since 1950 and since then has invested substantial amounts of money to develop, and continues to develop, use and control the use of, the Marks to identify to the public the source of services marketed thereunder and through the COIT Network, and to represent the COIT Network's uniform and high standards of quality.

D. Franchisor has registered some of the Marks, including the service mark COIT, with the United States Patent and Trademark Office, and claims the exclusive right to use all of the Marks and any derivatives thereof in connection with the operation of the COIT Network.

E. Franchisee has applied for a license to operate a COIT Franchise (as defined in article 19.i). In reliance upon all of the representations made by Franchisee in the application and in this agreement, Franchisor has approved Franchisee's application.

F. Franchisee acknowledges that a COIT Franchise is a licensing arrangement awarded under specific terms and conditions, and that Franchisee must fully comply with this agreement and the Operations Manuals (as defined in article 19.oo) in order to use the Marks and the Operating System.

G. Franchisee acknowledges that it is critical to Franchisee, Franchisor and every other COIT Franchisee for the Operating System to be flexible to respond to commercial opportunities and challenges. An inability to change the Operating System could adversely affect all COIT Franchisees. Accordingly, Franchisee acknowledges and expects that the Operations Manuals and the Operating System will be changed by Franchisor from time to time in its Business Judgment (as defined in article 19.f), and agrees to comply with the Operations Manuals and the Operating System as they are changed by Franchisor.

H. Every detail of the Franchised Business (as defined in article 19.u) is important—not only to Franchisee, but to Franchisor and to all COIT Franchisees—to increase and maintain the value of the Marks and the businesses associated with them. Therefore, during the effectiveness of this agreement, Franchisee acknowledges that it must at all times develop, maintain and operate the Franchised Business in accordance with each System Standard (as defined in article 19.fff), as modified and supplemented by Franchisor from time to time in its Business Judgment, and that such changes may require additional investments and/or changes by Franchisee in operations and other areas of the Franchised Business.

I. Without Franchisee's commitment to the Operating System and to fulfill each of the obligations detailed in this agreement, Franchisor would not form this franchise relationship with Franchisee.

THEREFORE the parties agree as follows:

ARTICLE 1

APPOINTMENT

1.1. Grant of Franchise. Franchisor hereby grants to Franchisee, upon the terms and conditions in this agreement, (i) the right and franchise, and Franchisee undertakes the obligation, to operate the Franchised Business using the Operating System, and (ii) a non-exclusive license to use the Marks and the Operating System as they may be changed, improved and further developed from time to time, within the Territory (as defined in article 19.iii). Franchisee is not granted the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing. Unless Franchisee and Franchisor enter into a Restoration, Stone Restore Addendum, Wood Floor Addendum to this agreement, this grant is limited to the offer and sale in the Territory of the Core Services and such other goods and services as may be authorized by Franchisor from time to time. Franchisor shall in its Business Judgment determine what goods and services Franchisee is authorized to offer and sell. Franchisee shall not operate the Franchised Business anywhere outside of the Territory unless authorized by Franchisor in writing. Franchisee is required to advertise in all counties within the Territory such as online paid search advertisements such as Google Adwords, and to offer and provide customers in all parts of the territory all of the Core Services and such other services that we may make mandatory.

1.2. Territory. The "Territory" is the geographical area described in Exhibit A of this agreement. If for any reason the boundary or number of any Postal Code that comprises the Territory is moved, altered or eliminated, or any other boundary of the Territory changes (such as the re-routing of a road used as a boundary, for example), Franchisee shall promptly notify Franchisor and Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor's Business Judgment, to the original Territory. Franchisor's decision will be final and binding upon Franchisor and Franchisee.

1.3. Territorial Rights and Limitations. So long as Franchisee is in Good Standing (as defined in article 19.bb), actively services all areas of the Territory and advertises in all counties within the Territory such as online paid search advertisements such as Google Adwords, during the Term of this agreement, Franchisor shall not, within the Territory, operate or establish or authorize another to operate or establish a business that uses the Marks and offers the same products and services as the Franchised Business. Franchisee acknowledges that this Franchise is otherwise non-exclusive and subject to the terms and conditions of articles 1.2 and 1.4 through 1.6.

1.4. Reserved Rights of Franchisor. Franchisor specifically reserves all rights not expressly granted to Franchisee in this agreement. Without limiting the generality of the preceding sentence, Franchisor has the right to: (i) redefine the Territory's geographic area to exclude counties in which Franchisee fails to report Gross Revenues of at least $5,000 annually or exclude counties which the Franchisee fails to continuously advertise such as online paid search advertisements such as Google Adwords; (ii) own, acquire, establish and operate, and license others to establish and operate, businesses substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, at any location outside the Territory; (iii) acquire a system of Competitive Businesses (as defined in article 19.m) with units located within the Territory (subject only to the provisions of article 1.6); (iv) offer and provide services to Special Accounts (subject only to the provisions of article 1.5); and (v) Franchisor, its affiliates, and assigns may advertise, promote, market or sell goods or services using the Marks over the Internet, the world wide web or any other electronic network. Unless Franchisee and Franchisor are parties to a Restoration Addendum to this agreement, Franchisor may, freely and without notice or liability to Franchisee, provide or authorize others to provide Restoration Services within the Territory using the Marks and Operating System. Unless Franchisee and Franchisor are parties to a Stone Restore Addendum to this agreement, Franchisor may, freely and without notice or liability to Franchisee, provide or authorize others to provide Stone Restore Services within the Territory using the Marks and Operating System. Unless Franchisee and Franchisor are parties to a Wood Floor Addendum to this agreement, Franchisor may, freely and without notice or liability to Franchisee, provide or authorize others to provide Wood Floor services within the Territory using the Marks and Operating System. Franchisor also expressly reserves the right to develop and engage in other lines of business offering and selling goods or services under the Marks or under other marks and is not obligated to offer Franchisee an opportunity to make such goods and services part of the Franchised Business.

1.5. <u>Special Accounts</u>. Franchisor has the exclusive right to contract with any Special Account (as defined in article 19.zz) for provision of Special Account Services (as defined in article 19.aaa) regardless of where the account is headquartered and regardless of whether Franchisee or any other COIT Franchisee has provided services to the Special Account before Franchisor entered into the contract with the Special Account. If Franchisor establishes a contract for the provision of Special Account Services that include facilities of the Special Account located in the Territory, Franchisor shall offer Franchisee the first option of providing the services to the Special Account at those facilities in the Territory at the prices minus any applicable account sales commission and administrative fees and subject to the contract requirements negotiated by Franchisor with the Special Account. If Franchisee accepts the project, unless otherwise agreed by Franchisor, Franchisor will collect all amounts due from the Special Account and remit to Franchisee the amount due for services the Franchisee provided to the Special Account, less the amount of any applicable account sales commission apportionment. All amounts collected from Special Accounts on Franchisee's behalf or by Franchisee from Special Accounts will be included in Franchisee's Gross Revenues for purposes of calculating Royalties and Branding & Marketing Fund Contributions due under this agreement. If Franchisee declines to accept the project, Franchisor will have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner it deems suitable in its Business Judgment, including through another COIT Franchisee, a Franchisor- or Affiliate-owned business, or a third-party contractor. Additionally, if at any time a Special Account for any reason requests that services in the Territory be provided by someone other than Franchisee, Franchisor may revoke Franchisee's option or right to provide or continue to provide the services, and may fulfill the contract requirements to the Special Account in the Territory in any manner Franchisor deems suitable in its Business Judgment.

1.6. <u>Acquisition of Competing System</u>. If Franchisee is in Good Standing, if Franchisor acquires a system of Competitive Businesses (an "<u>Acquired System</u>") during the term of this agreement, the following terms apply:

(a) Franchisor shall offer Franchisee the option to purchase and operate, as a COIT Franchise, any unit of the Acquired System (an "<u>Acquired Unit</u>") that is both purchased by Franchisor for operation by Franchisor or an Affiliate (*e.g.*, the unit will not be operated by a licensee of the Acquired System) and is located within the Territory. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired System, the terms and conditions applicable to Franchisee's option to purchase Acquired Units, and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee will include, without limitation, the following: (i) the purchase price will reflect Franchisor's purchase costs of the Acquired Unit, including a per-unit allocation of Franchisor's costs in purchasing the Acquired System; and (ii) the requirement that Franchisee enter into Franchisor's then-current form of COIT franchise agreement for the Acquired Unit, provided that Franchisee shall not be required to pay an Initial Franchisee Fee for an Acquired Unit. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Unit within two months after its receipt of the notice, Franchisor has the right to operate itself, or through an Affiliate or third-party licensee, the Acquired Unit under any trade name or trademark other than the Marks.

(b) Franchisee has no right to purchase, and Franchisor is not obligated to offer Franchisee any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks other than the Marks, and may also license additional units of the Acquired System to be developed and operated within the Territory.

1.7. Non-Core Services. If Franchisee is not a party to a Disaster Restoration Addendum, COIT Stone Restore Addendum and/or Wood Floor Addendum and Franchisee is not certified, trained or approved to provide the service Franchisor have the right to perform the service or allow another Franchisee to perform that service in the Territory without any compensation to Franchisee. This would include Disaster Restoration Services referred from Third Party Administrators ("TPA") where Franchisee have not signed up with or been approved by the TPA.

ARTICLE 2

TERM; SUCCESSOR FRANCHISE

2.1 Initial Term. Unless terminated sooner in accordance with Article 13, the "Initial Term" of this agreement is ten years beginning on the Effective Date (as defined in article 19.s) and ending at midnight on the Expiration Date (as defined in article 19.t).

2.2 Successor Franchise. Franchisee's rights and Franchisor's obligations under this agreement terminate at the Expiration Date. Nothing in this agreement gives Franchisee any right to renew this agreement for an additional term, but subject to subparagraphs (a) through (i) of this article 2.2, for a period of one year before the Expiration Date, Franchisee will be eligible for a Successor Franchise (as defined in article 19.ddd) for the Territory, also for a ten-year term to commence the moment after the end of the Initial Term. The award of a Successor Franchise will be in Franchisor's Business Judgment. Any Successor Franchise will be on the terms of Franchisor's then-current franchise agreement (which may materially differ in economic and other aspects from this agreement and its requirements), but start-up terms (*e.g.*, Orientation, phase in of Minimum Royalty Amount, etc.) will not apply, and Franchisee will not be required to pay another Initial Franchise Fee (although Franchisee will be required to pay a Successor Franchise Fee). Franchisor will not award Franchisee a Successor Franchise unless and until Franchisee has complied with all the conditions listed in subparagraphs (a) through (i) of this article 2.2.

(a) Franchisee must give Franchisor a written request for a Successor Franchise at least nine months, but not more than one year, before the Expiration Date. Within one month after its receipt of a timely request, Franchisor shall confirm, in writing, Franchisee's eligibility or ineligibility for a Successor Franchise. If Franchisee has failed to comply with all of the conditions listed in this article 2.2 at the time Franchisor receives the request, Franchisor has the right to refuse to grant Franchisee a Successor Franchise. If Franchisee is ineligible to obtain a Successor Franchise, but the ineligibility is caused by a non-compliance that can be cured, and Franchisor, in its Business Judgment, is willing to consider granting Franchisee a Successor Franchise, Franchisor will notify Franchisee accordingly. Franchisee will be eligible for a Successor Franchise if Franchisee cures the noncompliance within one month after Franchisor notifies Franchisee of its ineligibility. Neither Franchisee's request to obtain a Successor Franchise nor Franchisor's failure to advise Franchisee of its ineligibility will affect or impair Franchisor's right to terminate this agreement under Article 13.

(b) Franchisee is in Good Standing and has substantially complied with all of the material terms and conditions of all agreements between Franchisee (or its Principals or Affiliates, as defined in article 19.tt and a, respectively) and Franchisor (or any of the Franchisor-Related Persons, as defined in article 19.z) during the respective terms thereof.

(c) Franchisee must demonstrate to Franchisor's satisfaction that it meets Franchisor's then-current qualification standards for new COIT Franchisees, possesses a good business reputation and credit rating, and has adequate financial resources and capital to operate the Franchised Business.

(d) Franchisee has access to and the right to remain in possession of the Franchise Premises, or a suitable substitute location that meets Franchisor's then-current specifications and standards, for the entire term of the Successor Franchise.

(e) Franchisee, at its expense, has made all necessary capital expenditures to maintain uniformity with any Franchisor-required modifications to the Operating System in accordance with article 9.3, so that the Franchised Business reflects Franchisor's then-current standards and specifications.

(f) At least two months before the Expiration Date, Franchisor must receive a copy of its then-current form of franchise agreement, which will supersede this agreement in all respects, duly executed by Franchisee subject to applicable law.

(g) At least one month before the Expiration Date, Franchisee must comply with Franchisor's then-current training requirements, including any training requirements specifically designed for Successor Franchisees.

(h) Franchisee must pay Franchisor the Successor Franchise Fee (as defined in article 19.eee) at the same time that Franchisee gives Franchisor the written request required by article 2.2(a). If Franchisor refuses to grant Franchisee a Successor Franchise, Franchisor shall, at the same time Franchisor notifies Franchisee of the refusal, refund the Successor Franchise Fee paid by Franchisee. The Successor Franchise Fee is not refundable under any other circumstances.

2.3 Interim Term. If Franchisee does not execute a Successor Agreement before the Expiration Date, and Franchisee continues to accept the benefits of this agreement after the Expiration Date, then at Franchisor's option, this agreement may be treated either as: (i) expired as of the Expiration Date, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (the "Interim Term") until terminated by either party with at least one month written notice. In the latter case, all of Franchisee's obligations will remain in full force and effect during the Interim Term as if this agreement had not expired, except Royalty Fees, Marketing Fund Contributions, and all other Fees shall be at the Franchisor's then current rates and amounts plus an additional 2% royalty on gross revenues, and all obligations and restrictions imposed on Franchisee upon the expiration of this agreement will be deemed to take effect upon termination of the Interim Term. Except as described in this paragraph, Franchisee has no rights to continue to operate the Franchised Business following the expiration of the Initial Term. If any applicable Franchise Law requires a longer notice period, the one-month period will be deemed modified to be the shortest notice period required by the Franchise Law.

ARTICLE 3

LOCATION OF BUSINESS

Franchisee shall operate the Franchised Business from the Franchise Premises, which must be located in the Territory. Within two months after the Effective Date, Franchisee shall lease, purchase or otherwise secure a location for the Franchise Premises. Franchisee shall provide Franchisor with the address of the Franchise Premises before opening the Franchised Business, and shall notify Franchisor promptly of any change in the location of the Franchise Premises. If Franchisee will operate a Plant, then the Plant will be the Franchise Premises. If Franchisee will not operate a Plant, Franchisee may operate the Franchised Business from Franchisee's residence if Franchisee resides in the Territory and if permitted by, and so long as Franchisee fully complies with, applicable building, zoning and licensing laws, ordinances, requirements, and restrictions, and Franchisee must: (1) obtain authorization from Franchisor and agree to utilize an existing COIT Plant for all drapery cleaning and other services designated by Franchisor, or (2) if there is no existing COIT Plant within a reasonable vicinity of the Franchised Business as determined by Franchisor, retain the services of an independent contractor approved by Franchisor to provide such drapery cleaning and other services for such duration and utilizing such form of agreement as Franchisor shall approve. Nothing in this agreement is to be interpreted as a guarantee of success for the Franchised Business. It is the responsibility of Franchisee to secure a site for the Franchise Premises. Franchisor will provide, upon request, consultation and guidelines based on Franchisor's experience to assist in the selection of the site.

ARTICLE 4

INITIAL FEES

4.1 Initial Franchise Fee. Franchisee shall pay Franchisor an Initial Franchise Fee composed of a "Base Fee" of $25,000 plus four cents (5¢) per household in the Territory. The Territory will contain at least 100,000 households unless otherwise authorized by Franchisor (for example, if a sparsely-populated market with 100,000 households would be an area too large to be realistically serviceable). For Small Market with Territories under 80,000 households, the Base Fee is $15,000 plus eight cents ($0.08) per household in the Territory. The Initial Franchise Fee, less any deposit Franchisee has previously paid Franchisor in connection with this agreement, is payable upon the execution of this agreement. The entire Initial Franchise Fee is fully earned when a copy of this agreement, executed by Franchisee, is delivered to Franchisor. It is not refundable in whole or part.

4.2 Discount for Multiple COIT Franchises. If Franchisee already owns and operates one or more COIT Franchises with different territories at the time Franchisee executes this agreement, and Franchisee is in Good Standing under all of its other COIT franchise agreements, then the Initial Franchise Fee payable by Franchisee will be discounted to a $14,000 Base Fee plus four cents (4¢) per household in the Territory. Franchisee also may purchase additional COIT Franchises at any time during the term of this agreement for a discounted rate of 30% off the Base Fee being charged to new franchisees at that time, plus the then-current per household rate. Franchisor has the right to sell or decline to sell an additional franchise to Franchisee in Franchisor's Business Judgment.

ARTICLE 5

RECURRING FEES

5.1 Royalty. Solely in consideration of Franchisee's continued right to use the Marks, Franchisee shall pay Franchisor, as a monthly Royalty, either:

(a) 7% of Franchisee's Gross Revenues from sales of services, and

(b) 3.5% of Franchisee's Gross Revenues from sales of goods. When goods and services are sold as a package, a reasonable allocation of the Gross Revenues to must be made to the sale of services and the sale of goods, and

(c) If the Franchisee is not in Good Standing, the Royalty shall increase by an additional 1% of Franchisee's Gross Revenues from the sales of services in 5.1(a) and 5.1(b)

or the Minimum Royalty Amount listed in the table below, whichever is greater. Royalty payments are due by the tenth day of each calendar month based on the Gross Revenues for the immediately preceding calendar month.

Franchise Year	Minimum Royalty Amount
Year 1	$ - 0 -
Years 2 and 3	$500 per month
Year 4	$750 per month
Year 5	$1,000 per month
After Year 5	$1,250 per month

For Small Markets with Territories under 80,000 households there is no Minimum Royalty.

For purposes of the above table, a "Franchise Year" is a one-year period beginning on the Effective Date or any anniversary of the Effective Date, and ending on the day before the next anniversary of the Effective Date.

5.2 Royalty Rate for Goods/Services Added in Future. Franchisor has the right to establish different Royalty rates for Gross Revenues from sales of goods or services added to Authorized Products and Services in the future in accordance with article 7.3. Unless otherwise specified by an addendum to this agreement or other written agreement between the parties, the Royalty rates will be as provided in article 5.1(a) for new services and in article 5.1(b) for new goods.

5.3 Royalty Rate for Goods/Services Not Authorized. Franchisor may collect a 15% royalty on Gross Revenues on any Non Authorized Good or Service performed under the COIT Marks.

5.4 Branding & Marketing Fund Contribution. Franchisee shall begin contributing up to 2% of its Gross Revenues to the Branding & Marketing Fund established under article 11.2. Branding & Marketing Fund Contributions are due by the tenth day of each calendar month based on the Gross Revenues for the immediately preceding calendar month.

5.5 Software User Fee. Simultaneously with its execution of this agreement, Franchisee shall execute and deliver to Franchisor a Software License Agreement, and shall pay Franchisor all periodic user, support, maintenance and upgrade fees as required by the Software License Agreement. This includes a Software Licensing fee payable to a Third Party in order to run the Coit Order Entry System. Franchisor has the right to increase Software User Fees, as described in the Software License Agreement and at Franchisor's discretion.

5.6 Technology Fee. Franchisor has the right to implement and require Franchisee to pay Franchisor a Technology Fee for technology tools provided or developed by Franchisor upon at least two months' written notice to Franchisee. If required by Franchisor, Franchisee shall pay Franchisor the Technology Fee by the first day of each calendar month.

5.7 Intranet Use Fee. Franchisee shall pay Franchisor an Intranet Use Fee by the first day of each calendar month for Franchisee's access to and use of the COIT Intranet. The Intranet Use Fee is $19.95 per month for a single user and $15.95 per month for each additional user per franchise. Franchisor has the right to increase Intranet Use Fees from time to time in its Business Judgment upon at least two months' written notice to Franchisee.

5.8 Telemarketing Fee. Franchisor has the right to implement and require Franchisee to pay Franchisor a Telemarketing Fee for telemarketing calls and other communications to customers from Franchisee's Core Service, COIT Restoration, COIT Stone Restoration, and COIT Wood Floor database, upon at least two months' written notice to Franchisee. If required by Franchisor, Franchisee shall pay Franchisor the Telemarketing Fee by the first day of each calendar month.

5.9 Contact Center Fee and After Hour Answering Fee. Franchisee agrees to pay Franchisor a Contact Center and/or an After Hour Answering Fee to Franchisor or a designated representative of Franchisor to receive Franchised Business calls and where Franchisor or Franchise designee would receive Franchised Business calls after and/or during normal business hours. Franchisee shall pay Franchisor the Contact Center Fee and After Hour Answering Fee by the first day of each calendar month. Franchise may increase the Contract Center Fee and Franchisee agrees to pay such fee upon 60 days' notice.

5.10 Hosting Software License Fee. Franchisee agrees to pay Franchisor a Hosting Services Fee to Franchisor or a designated representative to host the COES Data on Franchisor's servers and provide other related services. Franchisee shall pay Franchisor the Hosting Services Fee by the first day of each calendar month. Franchise may increase the Hosting Software License Fee and Franchisee agrees to pay such fee upon 60 days' notice.

5.11 Administrative Fee. Franchisor has the right, upon fifteen days written notice to Franchisee, to implement and require Franchisee to pay Franchisor an Administrative Fee for the processing of a Special Account that is handled by the Franchisor.

5.12 Lead Fee. Franchisor has the right, upon fifteen days written notice to Franchisee, to implement and require Franchisee to pay Franchisor a Lead Fee for a Commercial Services Lead Program.

5.13 Late Payments and Reports.

(a) Any payment of any kind that is not received by Franchisor within fifteen days (15 days) after its due date will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is lower, from the date payment was due until the date the payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of any fees.

(b) Franchisee shall pay Franchisor a $50.00 late fee each time that any report required by this agreement is not received by Franchisor by its due date and time.

5.14 Gross Revenues. The term "Gross Revenues" means all money and other consideration Franchisee receives in connection with the ownership or operation of the Franchised Business, from the sale of any Authorized Products and Services (as that term may be modified from time to time by Franchisor), or from the sale of any goods or services under the Marks. Gross Revenues includes not only money and other consideration received for services performed at the Plant, but also money and other consideration received for such things as pick-up and delivery services, installation and other services performed at the customer's site or carried out in connection with the Franchised Business. Gross Revenues does not include sales or excise taxes that are separately stated and that Franchisee is required to and does collect from customers and pays to any federal, state, or local taxing authority.

5.15 Method of Payment. Franchisee shall make all payments to Franchisor at the address listed on page 1 or to such other address as Franchisor may provide to Franchisee in the manner provided in article 18.6. Franchisor has the right to designate a required method of payment for all Royalty payments, Branding & Marketing Fund Contributions, promissory note payments, interest, late charges, attorney fees, and any other amounts due Franchisor or any Affiliate of Franchisor, including payment through an electronic depository transfer account ("EDT Account") established at a national banking institution approved by Franchisor. Within six months after the Effective Date and before opening the Franchised Business, Franchisee shall establish the EDT Account and execute and deliver to Franchisor an authorization for electronic funds transfer, in a form prescribed by or acceptable to Franchisor, Franchisor's and Franchisee's bank, for direct debits from the EDT Account. At all times thereafter during the term of this agreement, Franchisee shall ensure that Franchisor has access to Franchisee's EDT Account for purposes of receiving electronic funds transfer payments, and Franchisee shall comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic funds transfer. Franchisee hereby authorizes Franchisor to initiate debit entries and credit correction entries to the EDT Account for payment of Royalties, Branding & Marketing Fund Contributions, Software User Fees, Contact Center Service Fees, legal expenses, interest, late fees and other any amounts payable to Franchisor or any Affiliate of Franchisor. Franchisee shall make funds available in its EDT Account in sufficient amounts to meet its obligations as they become due. If any debit properly initiated by Franchisor from Franchisee's EDT Account is denied or charged back due to nonsufficient funds or the closing of the EDT Account, Franchisee shall pay Franchisor a $50.00 charge-back fee and reimburse Franchisor for all bank and transaction charges incurred by Franchisor as the result of the charge-back. Once established, Franchisee may not close the EDT Account without Franchisor's consent. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor shall debit Franchisee's EDT Account an amount equal to the late fee prescribed by article 5.11(b), plus the greater of the Minimum Royalty Amount or 150% of the amounts payable by Franchisee for the last reporting period for which Franchisee reported its Gross Revenues. Nothing in this paragraph is to be construed to waive, postpone or suspend Franchisee's obligations to submit any reports, records, or other materials required by this agreement. When the Franchisee reports the Franchisee's Gross Revenues for the non-reported period, the Franchisor will issue a credit to the Franchisee for the difference between the actual royalties due for the non-reported period and the debit to the Franchisee's account related to the royalties for the non-reported period, excluding the late fee prescribed in article 5.8(c), unless Franchisee still owes royalties, in which case Franchisee will pay Franchisor any and all monies due immediately. If Franchisee notifies Franchisor there are not sufficient funds in the EDT Account for Franchisor to debit the account, franchisee shall pay a $50.00 fee after 5 days past the due date.

5.16 Withholding Taxes.

(a) If any amounts payable by Franchisee to Franchisor are subject to withholding or other taxes that Franchisee is required to deduct from the payments, Franchisee shall promptly deliver to Franchisor at the time of payment all receipts of applicable governmental authorities for all such taxes withheld or paid. If Franchisee or any other Person is required by any law or regulation to make any deduction or withholding (on account of tax or otherwise) from any payment for the account of Franchisor or Franchisor's Affiliates, Franchisee shall, at Franchisor's option, either:

(1) together with such payment, pay such additional amount as will ensure that Franchisor or Franchisor's Affiliates receive (free and clear of any tax or other deductions or withholding) the full amount which it would have received if no such deduction or withholding had been required; or

(2) make such payment having taken into account the relevant deduction or withholding (on account of tax or otherwise).

(b) Franchisee shall ensure that withholding or other taxes that Franchisee is required to deduct from amounts payable by Franchisee to Franchisor under this agreement are paid to the relevant taxation authority on the same date as the amounts payable by Franchisee to Franchisor under this agreement are paid to Franchisor.

(c) Franchisee is responsible for and shall indemnify and hold harmless Franchisor and Franchisor's Affiliates against any penalties, interest and expenses incurred by or assessed against Franchisor or Franchisor's Affiliates as a result of Franchisee's failure to withhold such taxes or to timely remit them to the appropriate taxing authority.

(d) Franchisee shall fully and promptly cooperate with and assist Franchisor to provide all information and records Franchisor may request in connection with any application by Franchisor to any taxing authority with respect to tax credits, exemptions or refunds available for any withholding or other taxes paid or payable by Franchisee.

(e) If Franchisor is required to refund to Franchisee any amounts paid hereunder, Franchisor will not be required to refund that portion of those amounts that were withheld by Franchisee in order to comply with any applicable tax law unless and until Franchisor receives a refund of those amounts from the applicable government or agency thereof or uses a foreign tax credit which is directly attributable to those amounts on its income or with respect to which the period within which the credit may be reduced or disallowed has expired.

5.17 Application of Payments. As to Franchisee and any Affiliate of Franchisee, Franchisor has the right to: (i) apply any payments received to any past due, current, future or other indebtedness of any kind in Franchisor's Business Judgment, regardless of how payment is designated by Franchisee or any other Person; (ii) set off, from any amounts that may be owed by Franchisor, any amount owed to Franchisor or any Branding & Marketing Funds; and (iii) retain any amounts received for Franchisee's account (and/or that of any Affiliate of Franchisee), whether rebates from suppliers or otherwise, as a payment against any amounts owed to Franchisor. Franchisor can exercise any of the foregoing rights in connection with amounts owed to or from Franchisor, any Franchisor-Related Person, and/or any Branding & Marketing Funds.

5.18 Currency. Unless otherwise specified, all references to money in this agreement mean United States Dollars.

ARTICLE 6

DUTIES OF FRANCHISOR

6.1 Assistance by Franchisor. Franchisor, at its sole expense and cost, shall provide the following assistance to Franchisee:

(a) A plan for use in Franchisee's grand opening promotion and advertising campaign;

(b) A list of all equipment necessary to operate the Franchised Business;

(c) The training described in article 6.3(a) and 6.3(b);

(d) A current set of advertising and promotional templates;

(e) Approved and readily available sources for purchasing supplies, advertising and marketing materials, computer hardware and software, and other items necessary for the operation of the Franchised Business;

(f) Operating assistance as described in article 6.4;

(g) On loan, one copy of Franchisor's current Operations Manuals, to be used by Franchisee only in the operation of the Franchised Business and in accordance with Article 9; and

(h) The COES software as described in article 7.20(c).

6.2 Business Forms. Franchisor shall furnish Franchisee with the business and reporting forms for use by Franchisee in the Franchised Business. Upon request, Franchisor will provide Franchisee with specifications for the proper preparation of the business and reporting forms, which Franchisee may purchase from a supplier who has complied with Franchisor's supplier approval guidelines as described in article 7.5 Because all business and reporting forms will bear the Marks, Franchisor may require any supplier to execute a license agreement specifying the manner in which the Marks are to be imprinted, the required text on the forms, and other necessary specifications and standards for the preparation of the forms.

6.3 Training.

(a) Franchisor has developed extensive training programs for the benefit of COIT Franchisees. This training is based on Franchisor's experience and is designed to provide up-to-date information in the areas of business management, financial management, human resource management, computer system operation, marketing and advertising techniques to build Franchisee's business, as well as training in the areas of customer service and sales techniques. Additionally, Franchisor will provide training and assistance on the procedures of carpet, drapery, upholstery, area rug, tile, and grout, and air duct cleaning for Franchisee and Franchisee's employees. Additional training and certification courses may be offered in various locations from time to time. To encourage Franchisee's greatest chance of success, Franchisor requires Franchisee's Designated Principal and manager to participate in the training programs described below.

(b) Franchisor shall provide an initial training program ("Orientation") for up to six people, each of whom must be a Principal (or spouse of a Principal), officer, or employee of Franchisee. The purpose of the Orientation is to educate Franchisee about the techniques, procedures and systems for managing the Franchised Business and promoting and providing the Core Services. Franchisor will designate the time, place and duration of the Orientation. In connection with the Orientation, Franchisor shall provide and pay for the instructors, training facilities and training materials. Franchisee shall be responsible for all other expenses incurred by its trainees, including the cost of travel, room, board and wages.

(c) Franchisor may provide, and Franchisee's Designated Principal and manager shall attend, at Franchisee's expense and at such reasonable times as Franchisor may designate, additional or refresher training programs at locations designated by Franchisor. Franchisor has the right to assess a reasonable per diem charge for additional or refresher training programs. Franchisor shall provide, at its expense, all instructors, training classes, facilities, and materials for additional or refresher training. Franchisee shall be responsible for the costs of its Principals, officers and employees to attend the additional or refresher training programs, including the cost of travel, room, board and wages.

6.4 Operating Assistance. Franchisor shall furnish Franchisee with such operating assistance as Franchisor deems appropriate in its Business Judgment. Operating assistance consists of advice and guidance regarding: (1) improving profitability; (2) required procedures to ensure quality standards and customer satisfaction; (3) formulating and implementing advertising and promotional programs; (4) implementing programs to sell services; (5) recommended equipment, fixtures, signs, operating materials, chemicals, and supplies; (6) utilizing the Communication and Information System in accordance with article 7.20; and (7) establishing administrative, bookkeeping, accounting, sales training and general operating procedures. Such guidance shall, in Franchisor's Business Judgment, be furnished in the form of the Operations Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephone or personal consultations.

ARTICLE 7

DUTIES OF FRANCHISEE

7.1. Training. At least one person, but not more than six people (each of whom must be a Principal or spouse of a Principal, or an officer or employee of Franchisee) designated by Franchisee and approved by Franchisor must complete, to Franchisor's satisfaction, the Orientation described in article 6.3(b). Franchisee's Designated Principal and manager must complete the Orientation to Franchisor's satisfaction. If either of them fails to do so, or fails to begin the training program within three months after the Effective Date, then Franchisor may terminate this agreement without refund of any money paid by Franchisee. Franchisor's Designated Principal and manager also shall attend and complete, to Franchisor's satisfaction, such additional training programs as Franchisor may reasonably require from time to time. Franchisor, at its option, may charge Franchisee a fee for any additional training. In connection with such training, Franchisee shall be responsible for all expenses incurred by Franchisee or its trainees, including, without limitation, the cost of travel, room, board and wages, and any training fee charged by Franchisor.

7.2. System Standards. Franchisee acknowledges and agrees that every detail of the Operating System is important, not only to Franchisee but also to Franchisor and other COIT Franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services sold by all COIT Franchisees, and to establish and maintain a reputation for providing uniform, efficient, and high-quality services. Franchisee further acknowledges and agrees that a fundamental requirement of the Operating System, this agreement, and other COIT Franchises is adherence by all COIT Franchisees to the System Standards (as defined in article 19.fff). Accordingly, Franchisee shall comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its Business Judgment, during the term of this agreement. Franchisee further agrees that System Standards prescribed from time to time in the Operations Manuals or otherwise communicated to Franchisee in writing will constitute provisions of this agreement as if fully set forth in this agreement. All references to this agreement include all System Standards as periodically modified.

7.3. Authorized/Mandatory Products and Services. The Franchised Business may offer and provide only Authorized Products and Services (as defined in article 19.c) as designated by Franchisor from time to time, and shall offer all Mandatory Products and Services (as defined in article 19.kk) as designated by Franchisor from time to time. To maintain a high level of quality service, Franchisee shall use only cleaning methods approved by Franchisor, including, but not limited to, the hot water extraction method for carpet cleaning (or any replacement method authorized or required by Franchisor). If Franchisee wishes to provide any product or service that has not been authorized by Franchisor, Franchisee must make a written request for authorization, which Franchisor may grant or deny in its Business Judgment. Upon written notice, Franchisor may change the Mandatory or Authorized Products and Services in its Business Judgment to address changing market conditions or opportunities including designating Franchisor or an affiliate of Franchisor as an approved supplier of any goods or services. Franchisee shall comply with all such changes within four months after its receipt of Franchisor's written notice by either offering and providing the newly required service or product, or ceasing to offer and provide any service or product that Franchisor removes as an Authorized Product and Service.

7.4. Equipment.

(a) Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, signs, the Communication and Information System described in article 7.20, the service vehicles described in article 7.4(b), and other equipment specified by the System Standards as modified from time to time; and shall not permit the installation of any fixtures, furnishings, signs, software, or equipment that does not conform to the System Standards as modified from time to time.

(b) To protect the best interests of all franchisees, Franchisor has established specifications and guidelines for the acceptable appearance and use of all COIT service vehicles and signage, including the color and use of the COIT logo decals. Franchisee shall use the service vehicles solely for the operation of the Franchised Business in compliance with this agreement. Franchisee shall ensure that its service vehicles present a professional image in conformance with the System Standards, and shall maintain them in good repair and safe condition, which may include, without limitation, the repair or replacement of damaged, worn-out or obsolete equipment, signs and service vehicles. Franchisee shall modify, re-equip and refurbish its service vehicles at reasonable intervals as Franchisor directs, to accommodate changes in the System Standards as required of new COIT Franchisees (provided that Franchisee will have a reasonable time period remaining under this agreement to amortize the costs of service vehicle improvements). Franchisee shall place or display on the service vehicles only signs, emblems, lettering, logos, and display and marketing materials approved by Franchisor. If at any time in Franchisor's Business Judgment, the general state of repair, appearance or cleanliness of Franchisee's service vehicles, or any fixtures, equipment, or signs used in the Franchised Business, do not meet Franchisor's standards, unless authorized by Franchisor in writing, Franchisor will notify Franchisee, specifying the action required to correct the deficiency. If Franchisee does not correct the deficiency within one month, Franchisor has the right (in addition to Franchisor's rights under Article 13) to prohibit Franchisee from using any substandard service vehicle, and the right, but not the obligation, to correct the deficiencies on Franchisee's behalf, and Franchisee shall reimburse Franchisor upon demand for all costs incurred by Franchisor to correct the deficiencies.

7.5. Supplier Approval. Franchisor may require Franchisee to purchase all furnishings, fixtures, signs, supplies and other products, materials and services required for the operation of the Franchised Business solely from suppliers (including manufacturers, distributors, wholesalers and brokers) who have been approved or designated by Franchisor. A list of Approved Suppliers is contained the Operations Manual. This list of Approval Suppliers may be supplemented or amended from time to time at the Franchisor's discretion including the naming of Franchisor or an Affiliate of Franchisor as an Approved Supplier. Franchisor will base its approval of suppliers upon a variety of factors, including their ability to meet Franchisor's then current standards and specifications; their quality controls; their capacity to supply Franchisee's needs promptly and reliably; and their prices. Franchisee recognizes that because of price discounts, benefits or other legitimate sales incentives, Franchisor may require Franchisee to participate with Franchisor or other COIT Franchisees when purchasing certain items, products or services to be sold or utilized in the Franchised Business. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for approval or request the supplier itself to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing, and the actual cost for the tests shall be paid by Franchisee or the supplier. Franchisor shall use its best efforts to notify Franchisee of Franchisor's approval or disapproval within fifteen days after Franchisor receives all information requested by Franchisor. Franchisor has the right, in its Business Judgment, to reinspect the facilities and products of any approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Franchisor and its Affiliates have the right to receive rebates, discounts, allowances and other payments from suppliers in respect of group purchasing programs and otherwise on account of the suppliers' dealings with Franchisee and other COIT Franchisees, which Franchisor is entitled to retain and use without restriction for any purpose and without accounting to Franchisee. Franchisee is required to purchase and use all COIT private label products and equipment. Violation of this term will result in Franchisee not being in Good Standing under this Franchise Agreement, and could result in the default and termination of this Franchise Agreement.

7.6. Business Operation. Franchisee shall open the Franchised Business within six months after the Effective Date, or, with Franchisor's prior written approval, such longer period as may be required to comply with governmental licensing requirements. After opening, Franchisee shall maintain the Franchised Business in continuous operation during the term of this agreement as defined in the Operations Manual. Franchisee shall not use or permit the use of the Franchise Premises for any purpose or activity other than the operation of the Franchised Business without first obtaining the written consent of Franchisor. This restriction does not apply if the Franchise Premises is located in Franchisee's residence.

7.7. Payment of Liabilities and Taxes. Franchisee shall pay its distributors, lessors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such parties become due, and pay all taxes on real and personal property, leasehold improvements, and fixtures and equipment, and all sales and use, income, payroll and other taxes promptly when due, and shall hold Franchisor harmless therefrom. All taxes shall be paid directly to the appropriate taxing authority prior to the delinquent date. If Franchisee fails to pay any such obligations promptly as they become due, or if any taxes become delinquent, Franchisor, in addition to its other remedies provided in this agreement, may pay any obligation or tax on behalf of Franchisee, together with any late charges, penalties, and interest, if any, and Franchisee shall, upon demand, reimburse Franchisor for any sums Franchisor has paid, together with interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

7.8. Notification of Proceedings. Franchisee shall notify Franchisor, in writing, within five days after the commencement of any action, suit or proceeding, and within five days after the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, that may adversely affect the operation or financial condition of the Franchised Business. Franchisee shall deliver to Franchisor, within five days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate, citation, or rating by any governmental agency relating to any health or safety law, rule, or regulation that reflects Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation, or Franchisee's failure to meet and maintain the highest applicable rating.

7.9. Records and Reports. Franchisee shall maintain and preserve, for at least six years after the date of their preparation, full, complete and accurate books and records of account, prepared in accordance with generally accepted accounting principles, and customer files and records, all in the form and manner prescribed by Franchisor in the Operations Manuals or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

(a) Submit to Franchisor, by the tenth of each month, a Royalty report in the form prescribed by Franchisor, verified and signed by the Designated Principal, accurately reflecting Franchisee's Gross Revenues during the preceding calendar month, and such other data or information as Franchisor may require;

(b) Submit to Franchisor, by the fifth business day of each month, a CORE report in the form prescribed by Franchisor, accurately reflecting Franchisee's activities during the preceding calendar month, and such other data or information as Franchisor may require;

(c) Submit to Franchisor, before April 1 of each year, an income statement and balance sheet, verified and signed by the Designated Principal as accurately reflecting the results of operations of the Franchised Business for the preceding calendar year and the financial condition of the Franchised Business as of December 31 of the preceding calendar year, together with such other information as may be prescribed by Franchisor;

(d) Submit to Franchisor signed copies of the federal income tax return for the previous tax year, as filed with the Internal Revenue Service, of Franchisee and of any Affiliate of Franchisee, on or before April 30 of each year or, if the taxpayer has received an extension of time to file and Franchisee submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, by April 30, then within fifteen days after the final due date for such return, but in no event later than October 30 of each year;

(e) Submit to Franchisor, within one month after the end of each calendar quarter, a detailed report of Franchisee's Local Advertising expenditures for the preceding calendar quarter (and, if requested by Franchisor, receipts for all Local Advertising expenditures) as required by article 11.8;

(f) Submit to Franchisor, within ten days after request, such other forms, reports, bank statements, customer files, records, information and data as Franchisor may reasonably request;

(g) Use only the chart of bookkeeping accounts prescribed by Franchisor in the Operations Manuals or otherwise communicated to Franchisee;

(h) Purchase and install such equipment as Franchisor may require to automate the reporting of financial information and the payment of recurring fees by Franchisee under this agreement, including Internet or intranet reporting and pre-authorization of electronic funds transfer or bank debit; and

(i) At all times during the Term and for a period of three years after a Transfer (as defined in article 19.kkk) or the termination or expiration of this agreement, permit Franchisor or its designated agents at all reasonable times to examine, at Franchisor's expense and at such location as Franchisor may reasonably select, Franchisee's books and records of account, bank statements, canceled checks, customer files, federal, state and local income tax, sales tax, and payroll tax returns, and any other information or records pertaining to the Franchised Business or which Franchisee is required to maintain under this agreement (hereafter referred to as Franchisee's "Business Records"). Franchisee and its Principals and employees shall fully cooperate with Franchisor's agents in their conduct of an inspection. If, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues in any report to Franchisor, then Franchisee shall immediately pay the Royalty and Branding & Marketing Fund Contribution payable on the amount of the understatement, plus the late fee and interest imposed by article 5.11. If, as a result of any inspection, Franchisor determines that Franchisee has understated its Gross Revenues by more than 5% for any monthly period, or if an inspection is prompted by Franchisee's failure to maintain any records or to timely submit any report or other information required by this agreement, then Franchisee shall: (i) reimburse Franchisor for all costs and expenses of the inspection (including per diem charges for Franchisor's employees, travel expenses, and reasonable accounting and legal expenses), and (ii) within two months after Franchisor's request, provide Franchisor with a copy of Franchisee's financial statements for the immediately preceding two-year period, audited or reviewed (at

Franchisor's option) by an independent certified public accountant and (iii) pay interest and late fees on all Royalty Fees and Marketing Fund Contributions attributed to such revenue understatement from the date upon which the Royalty Fee and Branding & Marketing Fund Contributions should have been paid. The foregoing remedies are in addition to any other remedies Franchisor may have under this agreement or at law or in equity. Franchisor may also, at all times during the Term and for a period of three years after a Transfer or the termination or expiration of this agreement, retain an independent party to audit Franchisee's Business Records. The terms of this paragraph will survive the expiration, termination or cancellation of this agreement.

7.10. Franchisor's Right to Inspect the Franchised Business. To ensure quality standards and consistency within the COIT Network, and to ensure that Franchisee is complying with this agreement and the System Standards, Franchisor or Franchisor's agents have the right, at all reasonable times to: (1) inspect the Plant, the Franchise Premises, the COIT Vehicles, furniture, fixtures, signs, operating materials and supplies; (2) observe the operations of the Franchised Business for such consecutive or intermittent periods as Franchisor deems necessary; (3) take photographs, movies or video tapes of the Plant, the Franchise Premises, or the Franchised Business; (4) interview personnel of the Franchised Business; (5) interview customers of the Franchised Business or any potential customer to whom Franchisee made a personal marketing presentation; (6) conduct written or telephonic customer surveys; and (7) inspect and copy any books, records, and documents relating to the operation of the Franchised Business, including employment contracts, Nondisclosure and Noncompetition Agreements, Engagement Agreements, leases, and material and information generated by or contained in the Communication and Information System. Franchisee shall cooperate fully with Franchisor in connection with these inspections, observations, surveys and interviews. Franchisee shall present its customers with any evaluation forms Franchisor may periodically prescribe and ask them to participate in any surveys performed by Franchisor on Franchisee's behalf.

7.11. Insurance.

(a) At all times during the term of the Franchise, Franchisee must maintain in force at its sole expense, insurance policies in such types and amounts as Franchisor designates in writing from time to time. The current insurance coverage requirements are attached to this agreement as Exhibit B. Franchisor may periodically increase the type or amount of insurance coverage required at any time, including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All required liability insurance policies must name Franchisor as an additional insured and provide that Franchisor receive thirty days prior written notice of any modification, termination, expiration or cancellation of the policy.

(b) Before opening the Franchised Business and thereafter annually during the Term, Franchisee shall furnish Franchisor with certificates of the required insurance along with copies of the required insurance endorsements. If Franchisee fails to maintain or furnish satisfactory evidence of required insurance coverage, Franchisor, at its option and in addition to its other rights and remedies under this agreement, may obtain the required insurance coverage on Franchisee's behalf. Franchisee shall fully cooperate with Franchisor in Franchisor's effort to obtain the insurance coverage. Franchisee shall promptly execute all forms or instruments required to obtain or maintain all such insurance, and Franchisee shall allow any inspections of the Franchised Business that are required to obtain or maintain the insurance. Franchisee shall pay Franchisor, upon request, any costs and premiums Franchisor incurs on Franchisee's behalf plus a 20% fee, whether Franchisor incurs such costs or premiums because Franchisee failed to maintain required coverage or to furnish evidence to Franchisor of the existence of coverage.

(c) Franchisee's obligation to maintain the insurance coverage required by this agreement will not be affected in any manner by reason of any separate insurance Franchisor maintains, nor will the maintenance of insurance by Franchisor relieve Franchisee of any obligations under article 17.3 of this agreement.

7.12. Business Organization.

(a) If Franchisee is a Business Organization, it shall comply with the following requirements before its execution of this agreement:

(1) Franchisee must be a newly organized Business Organization that has never operated or engaged in any business.

(2) Franchisee's organizational and governing documents must (a) provide that its activities are confined exclusively to operating the Franchised Business, (b) prescribe a maximum of ten Principals, and (c) prohibit the issuance or Transfer of its Ownership Interests (as defined in article 19.pp) other than in compliance with the terms and conditions of this agreement.

(3) Franchisee shall provide Franchisor with a list, certified by the Designated Principal, containing the full legal name, home address, home telephone number, and ownership interest of each Principal and Remote Principal of Franchisee (the "Principal List").

(4) Each Principal and Remote Principal of Franchisee must execute an agreement, in a form prescribed by Franchisor, to be jointly and severally bound by all the provisions of this agreement, including the Post-Termination Provisions.

(5) Each ownership certificate of Franchisee must bear a legend stating that the issuance and transfer of any ownership interest in Franchisee are subject to the terms and conditions of this agreement. If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the Transfer of any Ownership Interest in Franchisee other than in compliance with the terms of this agreement.

(6) Franchisee shall provide Franchisor with copies of its organizational and governing documents, including the resolutions of its Principals or governing body authorizing the execution of this agreement.

(7) The name of the Limited Liability Entity may not contain the word COIT, any variation thereof, or any of the other Marks.

(b) At all times while this agreement is in effect:

(1) Franchisee shall not cause or permit any of the provisions of its organizational and governing documents to be deleted or modified without Franchisor's prior written approval.

(2) Within ten day s after Franchisor's request or any change in any information on the Principal List, Franchisee shall provide Franchisor with an updated Principal List.

(3) Upon request, Franchisee shall provide Franchisor with copies, certified by the Designated Principal, of Franchisee's organizational and governing documents.

(4) Each new Principal and Remote Principal of Franchisee must execute an agreement, in a form prescribed by Franchisor, to be jointly and severally bound by all the provisions of this agreement, including the Post-Termination Provisions.

7.13. Compliance with Laws. Franchisee shall comply with all laws, regulations and requirements of federal, state, municipal, and other governmental entities and agencies (including fictitious or assumed name statutes, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, and any other federal, state or local employment laws), data security and protection laws, and Payment Card Industry Data Security Standards and related laws and regulations, and obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone is responsible for compliance with the obligations under this paragraph and that Franchisor has no obligation to Franchisee or any other Person for Franchisee's compliance under this paragraph. Franchisee specifically acknowledges and agrees that its indemnification responsibilities in Article 17 include Franchisee's obligations under this paragraph. In connection with its obligations under this paragraph, Franchisor hereby consents for Franchisee to disclose to Franchisee's legal counsel, for the purpose of ensuring compliance with and enforceability under state and local law, any and all forms, agreements and other documents provided by Franchisor for use in the Franchised Business.

7.14. Compliance with USA Patriot Act. Franchisee certifies that neither Franchisee nor any of its Affiliates, Principals, employees or other Persons associated with Franchisee is an Embargoed Person (as defined in article 19.r). Franchisee shall not hire or have any dealings with an Embargoed Person or permit an Embargoed Person to hold an Ownership Interest in or position as a director or officer of Franchisee. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or any of its Affiliates, Principals, employees or other Persons associated with Franchisee being an Embargoed Person. Franchisee shall comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined in article 19.b). In connection with that compliance, Franchisee certifies, represents and warrants that none of its property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its Affiliates and Principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities in article 17.3 include Franchisee's obligations under this article 7.14. Any misrepresentation by Franchisee under this paragraph or any violation of the Anti-Terrorism Laws by Franchisee, its Affiliates, Principals or employees, will constitute grounds for immediate termination of this agreement and any other agreement between any Franchisor-Related Person and Franchisee or any of its Affiliates, Principals or employees.

7.15. Customer Service.

(a) The COIT reputation has been built by consistently providing a high level of customer service and professionalism. To continue to build a quality reputation, Franchisee shall give prompt, courteous and efficient service to customers of the Franchised Business. In all dealings with customers, suppliers, Franchisor and the general public, Franchisee shall adhere to the highest standards of honesty, integrity, professionalism, fair dealing and ethical conduct. Franchisee is subject to and may be required to participate in any evaluation of standards or quality that Franchisor may conduct or sanction for all COIT Franchises. Franchisor and/or Franchisor's designees shall at all times have access to Franchisee's books, records, files, employees, independent contractors, Franchise Premises, and Plant for this purpose.

(b) Franchisee shall respond to customer complaints in a courteous, prompt and professional manner, and use its best efforts to promptly and fairly resolve customer disputes in a mutually-agreeable manner. If Franchisee fails to resolve a dispute with a customer, for any reason whatsoever, Franchisor, in its Business Judgment and for the sole purpose of protecting the goodwill and reputation of the Marks, may (but is not obligated to) investigate the matter and require Franchisee to take such actions as Franchisor may deem necessary or appropriate to resolve the dispute fairly and promptly in Franchisor's Business Judgment. Nothing in this article 7.15 or in any other provision of this agreement is to be construed to impose liability upon Franchisor to any third party for any action by or obligation of Franchisee.

(c) Franchisee shall participate in and fully comply with any customer warranty, guarantee, or customer satisfaction program Franchisor may establish from time to time, including, but not limited to, the requirements to advertise and make known and available to customers all such programs, and to honor the terms of all such programs that may be established by Franchisor.

7.16. Designated Principal. Before beginning the Orientation described in article 6.3(b), Franchisee shall designate, subject to Franchisor's reasonable approval, a "Designated Principal" who will be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee. The Designated Principal must be a Principal of Franchisee and must attend and successfully complete the initial training program and such other training programs as Franchisor may from time to time require during the term of this agreement. Franchisee acknowledges and agrees that Franchisor has the right to rely upon the Designated Principal to have been given, by Franchisee, decision-making authority and responsibility regarding all aspects of the Franchised Business. If the person designated as the Designated Principal dies, becomes incapacitated, leaves Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

7.17. Managers. Franchisee shall maintain at all times a (i) full-time manager who has completed the Orientation described in article 6.3(b) and all other training programs required by Franchisor from time to time, and (ii) a sufficient number of assistant managers to adequately staff the Franchised Business, and shall at all times keep Franchisor advised of their respective identities. Franchisor has the right to deal with them on matters pertaining to day-to-day operations of, and reporting requirements for, the Franchised Business. The Franchised Business at all times must be under the direct, on-premises supervision of a manager or assistant manager who has completed the Orientation and all other training programs required by Franchisor from time to time. The Designated Principal may serve as the manager, although the manager and assistant managers are not required to be a Principal of Franchisee.

7.18. Employees. Franchisee shall hire all employees of the Franchised Business and be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of the Franchised Business. In addition to any training available through Franchisor, Franchisee shall establish a training program that meets Franchisor's standards at the Franchised Business for all employees.

7.19. Background Checks on Employees. Franchisee acknowledges and understands that Franchisee's employees will be entering the homes of Franchisee's customers and other Persons to sell and provide Authorized Products and Services. Accordingly, to ensure the safety of Franchisee's customers and other Persons and to protect the Marks, before hiring any prospective employee, Franchisee shall conduct a background check of the prospective/current employee's criminal, motor vehicle and/or credit histories, in accordance with Operations Manual, System Standards, and all applicable laws and regulations. Franchisee shall not employ or retain any individual for any position involving entrance to any residence if the prospective/current employee's background review indicates, a propensity for violence, dishonesty, or negligent, reckless or careless, or any other any other behavior, which may impute poorly upon COIT or which is not in conformity with System Standards. Franchisor is not liable to Franchisee, any employee or prospective employee of Franchisee, or any other Person for any act or omission of Franchisee or any employee or agent of Franchisee. Franchisee specifically acknowledges and agrees that its indemnification responsibilities in Article 17 include (i) Franchisee's obligations under this paragraph, (ii) any claims, demands or actions arising from any act or omission of Franchisee or any employee or agent of Franchisee relating to refusal to hire, negligent hiring, employment discrimination or sexual harassment, and (iii) claims asserted by third parties for intentional torts allegedly committed by any employee or agent of Franchisee. Additional information is found in the Operation Manual.

7.20. Communication and Information System. To ensure the efficient management and operation of the Franchised Business and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the Franchised Business, and shall maintain and utilize during the term of this agreement, the Communication and Information System specified by the System Standards from time to time.

(a) As used in this agreement, the term "Communication and Information System" means: computer hardware (including one or more computers and/or other computer components); computer software for the management and operation of the Franchised Business and reporting and sharing information with Franchisor; and communication systems (including digital and analog modems, satellite, cable and other systems).

(b) Franchisee shall lease and/or purchase its Communication and Information System only from suppliers that Franchisor has approved in writing pursuant to article 7.5. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the Communication and Information System.

(c) Franchisor has designed a proprietary computer application called the "COIT Order Entry System," or "COES," to help Franchisee effectively and efficiently operate and manage the Franchised Business. Franchisee shall install and use COES in the Franchised Business and shall execute any Software License Agreement required by Franchisor in connection with COES or any Enhancement thereto. Franchisor shall assist Franchisee with the installation of COES and provide training and support services as provided in the Software License Agreement. Franchisee shall pay Franchisor all continuing periodic user, support, maintenance, and upgrade fees required by the Software License Agreement. Franchisor may modify the Communication and Information System requirements as needed from time to time to maximize the operation of COES, for maintaining access to the COIT Intranet, or to foster the efficient operation and management of the Franchised Business. Franchisee shall make all modifications reasonably required by Franchisor. Franchisor may from time to time develop or authorize others to develop proprietary software programs for use as part of the Operating System, which Franchisee may be required to purchase and/or license and use in the operation of the Franchised Business. Franchisee shall execute and pay for any license, sublicense, or maintenance agreement required by Franchisor or any other approved licensor or approved supplier of such proprietary software programs. Franchisee must upgrade to the newest version of COES by end-of-life date provided by the Franchisor.

(d) Franchisor may from time to time develop or authorize others to develop proprietary computer applications for use as part of the Operating System, which Franchisee may be required to purchase and/or license and use in the operation of the Franchised Business. Franchisee shall execute any license, sublicense or maintenance agreement required by Franchisor or any other approved licensor or supplier of proprietary computer applications designated by Franchisor. Franchisee agrees that Franchisor has no liability to Franchisee or any other Person for any damages, costs or expenses caused by Third-Party Software (as defined in article 19.jjj).

(e) If required by Franchisor, Franchisee shall obtain and maintain a contract with a supplier that Franchisor has approved in writing for software maintenance, support, and upgrade services for Franchisee's Communication and Information System and to provide Franchisee with such assistance as Franchisee and Franchisee's employees may require. Franchisee acknowledges that Franchisor may be one of, or the only, approved supplier for such services, and if Franchisee obtains these services from Franchisor, then Franchisee shall pay Franchisor any fees, if any, required by Franchisor for the services. Notwithstanding Franchisor's right to provide such services, this paragraph does not obligate Franchisor to provide any such services or support for the hardware or software used in the Communication and Information System.

(f) Franchisee shall make all Enhancements (as defined in article 9.3) to its Communication and Information System in the manner, and when, specified by Franchisor in writing.

(g) Franchisee has sole and complete responsibility for the manner in which Franchisee's Communication and Information System interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's Communication and Information System is not properly operated, maintained and upgraded.

(h) Franchisee shall: (a) promptly enter into its Communication and Information System and maintain all information required to be entered and maintained by Franchisor; (b) provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained, and (c) permit Franchisor to access Franchisee's Communication and Information System at all times by any commercially available means specified by Franchisor from time to time. Franchisee shall cooperate with Franchisor, and shall execute all documents required by Franchisor, to permit access to Franchisee's Communication and Information System and data contained therein. The reporting requirements in this article are in addition to and not in lieu of the reporting requirements in article 7.9.

(i) Any and all data collected or provided by Franchisee, downloaded from Franchisee's Communication and Information System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, including but not limited to customer data and information, is and will be owned exclusively by Franchisor, who has the right to use the data in any manner without compensation to Franchisee. Franchisee is hereby licensed, without additional compensation, to use such data solely for the purpose of operating the Franchised Business. This license will automatically and irrevocably expire, without additional notice or action by Franchisor, when this agreement terminates or expires.

(j) Before opening the Franchised Business and thereafter at all times, Franchisee shall obtain and maintain a high speed Internet connection. Franchisee hereby authorizes Franchisor to communicate with Franchisee via electronic mail.

(k) Franchisor has the right, but not the obligation, to establish a Franchisee Intranet (as defined in article 19.w) in its Business Judgment. If required by Franchisor, Franchisee shall establish and maintain access to and use the Franchisee Intranet in the manner specified by Franchisor. Franchisor may, in its Business Judgment, use the Franchisee Intranet to provide various forms of training and other assistance to Franchisee, to provide access to the Operations Manuals and updates thereto, for COIT Franchisees to file financial and other reports required by Franchisor, for general communications between Franchisor and COIT Franchisees and among COIT Franchisees, and for such other purposes as Franchisor may authorize or require from time to time. Franchisee shall use the Franchisee Intranet for those purposes designated by Franchisor and shall execute the Terms of Use Agreement (as defined in article 19.hhh), as it may be modified by Franchisor from time to time. Franchisee understands that the Franchisee Intranet may be inaccessible if Franchisee does not agree to or abide by any required Terms of Use, maintain the required Communication and Information System, or maintain a high-speed connection to the Franchisee Intranet. Franchisor is not responsible for any damages incurred by Franchisee in such event or that may arise due to any Internet service provider failing to provide service.

7.21. Customer Telephone Service.

(a) Franchisee shall establish and maintain prompt and adequate telephone service for all potential and existing customers within the Territory during all business hours designated by Franchisor from time to time. Franchisor has the right, in its Business Judgment, to require that Franchisee increase its telephone service to meet population or other changes within the Territory. All telephone lines must be operational and functional before opening the Franchised Business and thereafter at all times. The telephone number for the Franchised Business must be listed on the Internet (Google), in the white-pages and/or yellow pages telephone directory under the Trade Name and using an address or other location within the Territory. Additionally, Franchisee shall:

(1) maintain the appropriate business telephone service (as described in this article 7.21 and the Operations Manuals which an employee of Franchisee must answer (as opposed to an answering machine or service) during designated business hours; and

(2) if available in the Territory, Franchisee shall designate a sole business line for the 1-800-FOR-COIT service. This program has been developed and promoted by Franchisor, and is used throughout the COIT Network. Franchisor shall assist Franchisee in setting up this program in Franchisee's area. In addition, a local business line designated solely for the use of the Franchised Business must be established. Franchisee is solely responsible for all fees and charges associated with all telephone services and directory listings, including the 1-800-FOR-COIT service. Franchisee shall pay monthly service fees and calling fees to a carrier designated by Franchisor for the 1-800-FOR-COIT service. Franchisor has the unrestricted right to change the carrier in its Business Judgment.

(b) Upon the termination or expiration of this agreement, Franchisor has the option to assume, transfer, terminate or amend all telephone numbers and directory listings that refer or relate to the Franchised Business, including the toll free numbers, as provided in article 14.2.

7.22. Attendance at COIT Convention and Other Meetings. Franchisor shall organize at least one national convention (the "COIT Convention") each year for COIT Franchisees at a location designated by Franchisor. The purpose of the COIT Convention will be to provide COIT Franchisees with current industry and product information, marketing methods, and business management techniques, as well as offer a networking opportunity with other COIT Franchisees. Franchisee's Designated Principal must attend at least one COIT Convention each calendar year. Franchisor shall provide all instructors, training classes, facilities and materials associated with, but has the right to charge Franchisee a reasonable fee to attend, the COIT Convention. Franchisee shall be responsible for the costs of its Principals, officers and employees to attend the COIT Convention including the cost of travel, room, board and wages. Franchisor may also hold one or more meetings for COIT Franchisees at Franchisor's principal office or another location Franchisor may designate, and Franchisee's Designated Principal shall attend all meetings designated by Franchisor as mandatory. Franchisor reserves the right to charge Franchisee a reasonable fee for franchisee meetings. Nothing in this agreement is to be construed to require Franchisor to hold, provide, sponsor, host or organize any specific conventions or meetings.

7.23. Disclosure of Information About Franchisee. Franchisee acknowledges that Franchisor may from time to time be required or find it necessary to disclose to third parties certain information about Franchisee and Franchisee's Principals, including personally identifiable information such as names, addresses, and telephone numbers, and information collected by Franchisor under articles 7.9, 7.20, and other provisions of this agreement. Franchisee hereby consents to Franchisor's collection, use, and disclosure of any information pertaining to the Franchised Business (including personally identifiable information of Franchisee and Franchisee's Principals) for Franchisor's reasonable business purposes and for any purpose described in Franchisor's privacy policy (as may be amended from time to time), subject to the limitations of this paragraph. Without limiting the generality of the foregoing sentence, Franchisee hereby consents to: (i) the collection, use and disclosure of any information about Franchisee and Franchisee's Principals (including personally identifiable information) to develop, modify, and enhance the Operating System, to conduct credit checks or other personal history investigations, to develop general franchisee profiles, to comply with federal and state franchise disclosure and/or registration laws, and to otherwise comply with any applicable law; (ii) the transfer of any information (including personally identifiable information) to any third party in order for Franchisor to fulfill its obligations under this agreement or attempt to obtain any benefit for Franchisor, Franchisee or the COIT Network as a whole; and (iii) the release to Franchisee's landlord, lenders or prospective landlords or lenders, of any financial or operational information relating to Franchisee and/or the Franchised Business (without obligating Franchisor to do so). Franchisor shall protect confidential data and personally identifiable information of Franchisee's employees and customers. If Franchisor discloses financial information of Franchisee in a franchise disclosure document, Franchisor shall not identify Franchisee or disclose any personally identifiable information of Franchisee in connection with the financial information. "Personally identifiable information" is any information about a Person that can be used to uniquely identify, contact or locate the Person.

ARTICLE 8

INTELLECTUAL PROPERTY

8.1 Use by Franchisee. Franchisee's right to use Franchisor's Marks, any proprietary software provided by Franchisor, other materials in which Franchisor claims a copyright, trademark, or other right to exclusive use, trade secrets, and other Intellectual Property (as defined in article 19.ff) as granted in this agreement is limited to their use in connection with the operation of the Franchised Business within the Territory, and otherwise as described in this agreement and as authorized in the Operations Manuals or as may be prescribed in writing by Franchisor from time to time. Franchisee shall use only the name or names authorized by Franchisor as the trade name of the Franchised Business, shall use only the trademarks authorized by Franchisor to identify and distinguish the services offered by Franchisee, and shall use no other trade name, business name, or trademark in connection with the Franchised Business without Franchisor's prior written consent. Franchise cannot use Intellectual Property for any service or product that is not specifically authorized in the Franchise Agreement without the expressed written consent of the Franchisor. Any such use of the Intellectual Property shall be considered an infringement upon Franchisor's intellectual property rights, will render Franchisee not in Good Standing under this Franchise Agreement, payment of 15% royalty on Gross Revenues on any Non Authorized Good or Service performed, and could result in being held in default of this Franchise Agreement and may result in the Termination of this Franchise Agreement.

8.2 Exclusive Property of Franchisor. Franchisee acknowledges Franchisor's right, title and interest in and to its Intellectual Property, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the Operating System. Franchisee is a "related company" within the meaning of 15 U.S.C. § 1127 and Franchisee's use of the Marks pursuant to this agreement inures to the benefit of Franchisor. Except as expressly provided by this agreement, Franchisee shall acquire no right, title or interest therein, and any and all goodwill associated with the Operating System and the Intellectual Property shall inure exclusively to Franchisor's benefit. Upon the expiration or termination of this agreement, no monetary amount will be designated as attributable to goodwill associated with Franchisee's use of the Operating System or the Intellectual Property.

8.3 Infringement by Franchisee. Franchisee acknowledges that its use of the Intellectual Property outside of the scope of this agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title and interest in and to its Intellectual Property, and that its use of the Marks after the expiration or termination of this agreement without Franchisor's prior written consent constitutes trademark counterfeiting. During the term of this agreement and after its expiration or termination, Franchisee shall not, directly or indirectly, commit an act of infringement or counterfeiting or contest, or aid in contesting, the validity or ownership of the Intellectual Property or take any other action in derogation thereof. The provisions of this paragraph will survive the expiration, termination or cancellation of this agreement.

8.4 Infringement by Others. Franchisee shall promptly notify Franchisor of any use of any Intellectual Property, any colorable variation thereof, or any other property in which Franchisor has or claims a proprietary interest, by any Person other than Franchisor, its representatives and agents, or other COIT Franchisees. Franchisee shall promptly notify Franchisor of any litigation instituted by any Person against Franchisor or Franchisee involving the Intellectual Property. If Franchisor, in its Business Judgment, undertakes the defense, prosecution, or settlement of any litigation relating to the Intellectual Property, Franchisee shall execute all documents and render any assistance as Franchisor, in its Business Judgment, determines necessary to carry out such defense, prosecution or settlement. Franchisee acknowledges that the nature of trademark law makes it impossible for Franchisor to guarantee or warrant the exclusivity of Franchisor's right to use any of the Marks, and that nothing in this agreement or in any other document or promotional material provided by Franchisor to Franchisee or to any other party may be construed to guarantee, warrant, or imply that Franchisor's right to use any of the Marks is exclusive or superior to the rights of any other Person. If any Person demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Intellectual Property, Franchisee shall, upon demand by Franchisor, discontinue its use of such Intellectual Property and, in the case of the trade name or any of the Marks, adopt, at Franchisee's sole cost and expense, any replacement trade name or mark(s), if any, selected by Franchisor, and Franchisor will have no liability to Franchisee therefore.

8.5 Improper Use of Marks. Franchisee shall not, without Franchisor's prior written consent, use any of the Marks or any derivative or colorable variation thereof: (i) as part of the name of a Business Organization; (ii) on or as part of any Website (as defined in article 19.mmm), domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, or other similar services; (iii) with any prefix, suffix (including "Inc."), or other modifying words, terms, designs or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or Internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefore or which may harm, tarnish, or impair Franchisor's reputation, name, service or Marks. If Franchisor provides Franchisee with any contracts, agreements, forms or other documents that contain any of the Marks, Franchisee shall not alter or modify such contracts, agreements, forms or documents without Franchisor's prior written consent. The provisions of this paragraph will survive the expiration, termination or cancellation of this agreement.

8.6 Non-exclusive Use. Franchisee expressly acknowledges and agrees that its license to use the Intellectual Property is non-exclusive, and Franchisor reserves all rights not expressly granted to Franchisee in this agreement, including those described in article 1.4.

8.7 Use by Others. Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents and supplies utilized by Franchisee in connection with the operation of the Franchised Business without first obtaining the consent of Franchisor and, at Franchisor's option, requiring the party to execute a license agreement as specifically described in article 6.2.

8.8 Improvements Developed by Franchisee. If Franchisee or any of its Principals or employees conceives, develops or acquires any improvements or additions to the Operating System or the services or products offered by or the method of operation of a COIT Franchise, or any advertising or promotion ideas related to a COIT Franchise or the Franchised Business (collectively, "Improvements"), Franchisee shall promptly and fully disclose the Improvements to Franchisor without disclosure of the Improvements to others, and shall obtain Franchisor's written approval before using the Improvements. Any Improvement may be used by Franchisor and COIT Franchisees without any obligation to Franchisee or its Principals or employees for royalties or other compensation. Franchisee shall assign to Franchisor or Franchisor's designees, without charge, any rights, including the right to grant sublicenses, to all Improvements. If for any reason Franchisee and not Franchisor is deemed to own any rights to an Improvement, then this agreement will operate as an agreement to irrevocably transfer and assign all rights in and to the Improvement. Franchisee shall take no steps to appropriate any Improvement for itself. Franchisee shall, at Franchisor's request, execute all assignments, certificates or other instruments (and, if necessary, require its Principals, employees and independent contractors to execute such documents as well) as Franchisor may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its rights, title or interest in or to any Improvement, or to otherwise carry out the provisions of this paragraph. In return, Franchisor shall authorize Franchisee to use any Improvement developed by Franchisor or any other COIT Franchisee that is made part of the Operating System. As used in this paragraph, the term "Improvements" includes Intellectual Property and all advertising, marketing, promotional, public relations or sales concepts, plans, programs, techniques, activities, materials or Websites proposed or developed by Franchisee for the Franchised Business, whether or not they bear the Marks. Any revenues generated from the Improvement would be subject to royalties of 6% of gross revenues.

ARTICLE 9

OPERATIONS MANUALS

9.1 Business Operations. In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with the Operations Manuals (as defined in article 19.00), as the same may be amended or modified from time to time, which Franchisee acknowledges having received on loan from Franchisor.

9.2 Confidentiality. The Operations Manuals shall at all times remain the sole property of Franchisor. Franchisor treats the Operations Manuals as confidential and proprietary. Franchisee also shall treat the Operations Manuals as confidential and proprietary, and shall use all reasonable efforts to maintain all information in the Operations Manuals as confidential and proprietary. Franchisee also shall ensure that its employees treat the Operations Manuals as confidential and proprietary. Franchisee shall not at any time copy, duplicate, record or otherwise make any part of the Operations Manuals available to any unauthorized person. The provisions of this paragraph will survive the expiration, termination or cancellation of this agreement.

9.3 Modification. Franchisor has the right to add to or otherwise modify the Operations Manuals from time to time in its Business Judgment to reflect changes in the industry, marketing techniques or any of the System Standards, or advances in computer technology, so long as no addition or modification alters Franchisee's fundamental status and rights under this agreement. Without limiting the generality of the foregoing sentence, Franchisor has the right, during the term of this agreement, to require Franchisee to make Enhancements to the Communication and Information System at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this agreement), within four months after receipt of written notice from Franchisor, the Enhancement specified by Franchisor and to take all actions as may be necessary to enable it to operate as specified by Franchisor. Any Enhancement may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance or Enhancements to the Communication and Information System or other items, and that any maintenance or Enhancement required by Franchisor may involve additional investment by Franchisee during the term of this agreement. Franchisee shall at all times insure that its copy of the Operations Manuals is kept secure, current and up-to-date. In the event of any dispute as to the contents of the Operations Manuals, the terms of the master copy of the Operations Manuals maintained by Franchisor at Franchisor's home office will be controlling. Upon Franchisor's request, Franchisee shall cooperate in the efficient return of all Operations Manuals that have been identified by Franchisor as obsolete. As used in this agreement, "Enhancement" is a defined term that includes any modification, upgrade, update, enhancement or replacement of all or any part of the Communication and Information System.

ARTICLE 10

CONFIDENTIAL INFORMATION

10.1. Definition. "Confidential Information" means any confidential and/or proprietary information and/or trade secrets relating to Franchisor, the Operating System, the Franchised Business, or other COIT Franchisees, and includes the following categories of information: (a) business methods, techniques, specifications, standards, procedures and formats; (b) Franchisor policies, procedures, information, concepts, systems, and knowledge of and experience in franchise development and operation, including customer data and information and the information comprising the Operating System; (c) marketing programs for COIT Franchises; (d) the Communication and Information System, each component thereof (including all aspects—including code, functions, menus, and screen views—of any proprietary software developed or owned by Franchisor or any Affiliate of Franchisor), and all future Enhancements thereto; and (e) the financial condition, results of operations, and other financial information about Franchisor, Franchisee, the Franchised Business, and/or other COIT Franchisees. Franchisee may acquire Confidential Information from Franchisor through the Operations Manuals or through training, guidance and assistance provided by Franchisor, or from other COIT Franchisees.

10.2. Use of Confidential Information. Franchisee agrees that Franchisee's relationship with Franchisor does not give Franchisee the right to use the Confidential Information for any purpose other than the development and operation of the Franchised Business in accordance with this agreement, and that the use of the Confidential Information in any other business would constitute unfair competition. Franchisee agrees that the Confidential Information belongs to Franchisor, may contain trade secrets belonging to Franchisor, and is disclosed to Franchisee and authorized for use solely on the condition that Franchisee will: (a) not use the Confidential Information in any other business or capacity; (b) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of this agreement; (c) not make unauthorized copies of any portion of the Confidential Information; and (d) adopt and implement all reasonable procedures Franchisor prescribes from time to time to prevent unauthorized use or disclosure of or access to the Confidential Information.

Franchisee shall divulge the Confidential Information only to those employees and agents of Franchisee who must have access to it in order to operate the Franchised Business in accordance with this agreement or to provide professional services or advice to Franchisee. In connection therewith, Franchisee is fully responsible for ensuring that its employees and agents comply with this article. The provisions of this paragraph will survive the expiration, termination or cancellation of this agreement.

10.3. Remedies. Franchisee acknowledges that any failure to comply with article 10.2 will cause Franchisor irreparable injury, and Franchisee consents to the issuance of, and agrees to pay all reasonable legal expenses incurred by Franchisor in obtaining, specific performance of, or any injunction by a court of competent jurisdiction against a violation of, the requirements of article 10.2.

10.4. Preservation of Confidentiality. Franchisee shall not permit any person access to Confidential Information (including the Operations Manuals) without first requiring them to execute confidentiality agreements, in a form approved by Franchisor, requiring that all Confidential Information that may be acquired by or imparted to such Person be held in strict confidence and used solely for the benefit of Franchisee and Franchisor. Franchisee shall require each prospective purchaser of the Franchised Business, of the license granted under this agreement, or of any interest in Franchisee (and each Principal, director and officer of a prospective purchaser), before disclosing any Confidential Information to such Person, to execute a confidentiality agreement, in a form approved by Franchisor, requiring that all Confidential Information that may be disclosed to such person in connection with his or her investigation of Franchisee or the Franchised Business will be held in strict confidence and used solely to evaluate the contemplated transaction. All confidentiality agreements described in this paragraph must include a specific identification of Franchisor as a third-party beneficiary with the independent right to enforce the agreement.

10.5. Customer Data. All information, mailing lists and data bases of customer data from whatever source derived, shall be Franchisor's property. Franchisee agrees not to use such information, except in connection with the Franchised Business in accordance with this Agreement. Franchisee agrees not to use, process, copy, display, publish, store or transfer the customer data without Franchisor's approval. Franchisee agrees to comply with all applicable laws with respect to customer data; in addition Franchisee agrees to comply with all data privacy and security requirements and laws and to exert commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of customer data, subject in all instances to applicable laws. Franchisee shall promptly notify Franchisor if Franchisee becomes aware of any unauthorized access to the customer data, or if Franchisee becomes the subject of any governmental, regulatory or other enforcement or private proceeding relating to the data handling practices of Franchisee.

ARTICLE 11

ADVERTISING

11.1. Franchisor's Obligations.

(a) Recognizing the value of advertising to the image and growth of COIT Franchises, Franchisor may, from time to time in its Business Judgment, provide Franchisee with sample advertising and promotional programs and select creative concepts and materials for use in connection with marketing the Franchised Business. These materials may include television, radio, print advertising, brochures, online search optimization, internet content and other materials. The type, content, media, quality and amount of such advertising and promotional programs are within Franchisor's Business Judgment. Franchisor will provide Franchisee with an advertising and marketing manual that explains the Operating System and shows samples of the available materials. Samples of these materials will be provided to Franchisee without charge and additional copies will be provided to Franchisee at a nominal charge. Upon request, Franchisor may, in its discretion, provide to Franchisee marketing consulting, including advertising strategy, promotional planning and budgeting. Upon request, Franchisor will provide a marketing analysis of Franchisee's Territory.

(b) Franchisor undertakes no obligation to ensure that sample marketing programs and advertising materials made available to Franchisee are appropriate for or successful in Franchisee's particular TV or broadcast market area. Franchisor does not warrant or guarantee the success or effectiveness of any sample marketing program or advertising materials.

11.2. Branding & Marketing Funds. Franchisor has the right, in its Business Judgment, to establish one or more Branding & Marketing Funds, both national and/or regional, and to designate any geographical area as a region for establishing regional Branding & Marketing Funds. Company-owned locations have the option, but not the obligation, to contribute to the Branding & Marketing Fund. Franchisee shall contribute to the Branding & Marketing Fund as required by article 5.4. Franchisor shall maintain and administer the Branding & Marketing Fund as follows:

(a) Franchisee agrees and acknowledges that the Branding & Marketing Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of all Franchises within the COIT Network or within a region, as the case may be, and that Franchisor is not obligated in administering the Branding & Marketing Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular Franchisee benefits directly or pro rata from the placement of advertising.

(b) The Branding & Marketing Fund, all contributions thereto and any earnings thereon, are to be used exclusively for Permitted Uses as described below. "Permitted Uses" means (i) the costs of maintaining, administering, researching, directing and preparing advertising or promotional activities (including the costs of production on advertising materials in various media; advertising of any kind and in any medium; marketing surveys and other public relations activities; employing advertising, public relations and market research firms; product research and development; soliciting and developing Special Accounts; and developing, providing and directing promotional and other marketing materials and programs for COIT Franchisees and the COIT Network) and (ii) reasonable salaries, overhead and administrative, accounting, legal (including the defense of any claims against Franchisor and/or Franchisor's designee regarding the management of the Branding & Marketing Fund) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration, direction or function of the Branding & Marketing Fund (including the costs of enforcing contributions to the Branding & Marketing Fund, the costs of preparing or auditing financial statements, and the salaries of graphic designers, marketing, public relations and other employees attributable to Branding & Marketing Fund functions). "Permitted Uses" also includes Search Engine Optimization, Social Media Reputation Management, and other functions in this rapidly evolving area.

(c) Franchisee shall contribute to the Branding & Marketing Fund by separate check or debit payable to COIT BRANDING & MARKETING FUND or such other designation as Franchisor may from time to time prescribe. The Branding & Marketing Fund will not be an asset of Franchisor. All contributions to the Branding & Marketing Fund will be maintained in an account separate from the other moneys of Franchisor and, except for Permitted Uses, will not be used to pay any of Franchisor's expenses. The Branding & Marketing Fund and its earnings will not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for each Branding & Marketing Fund.

(d) It is anticipated that all contributions to and earnings of the Branding & Marketing Fund will be expended for marketing and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Branding &

Marketing Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

(e) Franchisee agrees that Franchisor (and any designee of Franchisor) will have no direct or indirect liability or obligation to Franchisee, the Branding & Marketing Fund, or otherwise with respect to the management, maintenance, direction, or administration of the Branding & Marketing Fund. Franchisee further agrees that Franchisor will not be liable for any act or omission, whether with respect to the Branding & Marketing Fund or otherwise, that is consistent with this agreement or other information provided to Franchisee, or that is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical practical business importance of their relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the Branding & Marketing Fund and all related matters are governed solely by this agreement, and that neither this agreement nor the Branding & Marketing Fund is in the nature of a "trust," "fiduciary relationship" or similar special arrangement, but is only an ordinary commercial relationship between independent businesspersons for their independent economic benefit.

11.3. Termination of Branding & Marketing Fund. Although Franchisor intends the Branding & Marketing Fund to be of perpetual duration, Franchisor has the right to terminate any Branding & Marketing Fund. No Branding & Marketing Fund may be terminated, however, until all moneys in the Branding & Marketing Fund have been expended for marketing and/or promotional purposes or returned to COIT Franchisees in Good Standing on the basis of their respective contributions during the one-year period immediately preceding the termination.

11.4. Marketing Materials. Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time in the Operations Manuals or otherwise in writing.

11.5. Delegation of Franchisor's Duties. Franchisor has the right to delegate and redelegate its responsibilities and duties under this agreement to any designee(s) of its choosing, but shall retain the right of final approval of all marketing programs at all times.

11.6. Approval of Advertising. All advertising by Franchisee in any medium must be conducted in a dignified manner, conform to such standards and requirements as Franchisor may specify from time to time in writing, conform to all applicable laws and regulations relating to consumer advertising, be completely accurate and truthful, and give notice that the Franchised Business is independently owned and operated. Franchisor reserves the right to require Franchisee to submit to Franchisor (by certified mail, return receipt requested), for Franchisor's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials, including signs, and all other materials displaying the Marks that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. Unless Franchisee receives a written objection thereto from Franchisor within fifteen days after Franchisor's receipt thereof, Franchisor will be deemed to have given the required approval. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Business. The word "advertising" as used in this agreement includes signs (including signs on motor vehicles), URLs, e-mail addresses, Internet listings, banners, advertisements, or other services or links on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines, and similar services. Additionally, in order to present a unified and consistent image to consumers, Franchisor has the sole and exclusive right, but not the obligation, to own and control any and all Internet web sites or web pages relating to or bearing the marks, the system, or the Franchised Business, and to control other advertising, marketing and promotional activities relating to the Marks, the COIT Network, or the Franchised Business that are national or international in scope.

11.7. Website. Franchisee specifically acknowledges and agrees that a Website is "advertising" under this agreement, and is subject to (among other things) Franchisor's approval under article 11.6. In connection with any Website, Franchisee agrees to the following:

(a) Franchisor has the right, but is not obligated, to establish and maintain a Website, which may, without limitation, promote the Marks, the COIT Network, any or all of the Authorized Products and Services, COIT franchised or company-owned locations, and/or the offer and sale of COIT Franchises. Franchisor has the sole right to control all aspects of the Website, including its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor also has the right to discontinue the operation of the Website at any time.

(b) Franchisee shall not establish a separate Website.

(c) Franchisor has the right, but is not obligated, to designate one or more web page(s) to describe Franchisee, the Franchised Business, and/or Franchisee's location, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies and terms of use with respect to the creation, maintenance and content of any such web pages, and Franchisor has the right to limit and/or discontinue the content and/or operation of such Website and web pages.

(d) Franchisor has the right to modify the provisions of this article 11.7 relating to Websites as Franchisor in its Business Judgment determines is necessary or appropriate for the best interests of the COIT Network.

11.8. Local Advertising. Each calendar quarter, Franchisee shall spend for Local Advertising at least 10% of its Gross Core Revenues during the immediately preceding calendar quarter (the "quarterly minimum Local Advertising expenditure"). Local Advertising expenditures must be made directly by Franchisee. Within one month after the end of each calendar quarter, Franchisee shall furnish Franchisor with an itemized report of Franchisee's Local Advertising expenditures for the previous quarter. Franchisee's failure to spend at least the quarterly minimum Local Advertising expenditure for two consecutive quarters will constitute a material breach of this agreement. Franchisee may not use any advertising or promotional plans or materials, including, by way of example and not limitation, circulars, brochures, flyers, newspaper and direct mail advertisements, and radio and television commercials, without the prior approval of Franchisor pursuant to the procedures in article 11.6. All funds contributed to the Branding and Marketing fund will contribute to the 10% of all Gross Core Revenues.

11.9. Telephone Directory. At all times during the term of this agreement, Franchisee shall list their name, address and phone number of the Franchised Business in all of the most widely used (as Franchisee determines) directories (Internet, white and yellow pages) for the Territory, and in those business classifications Franchisor intermittently prescribes. Franchisee must ensure that these listings are placed in classified directories that cover all of the telephone service areas in the Territory.

11.10. Advertising Cooperatives. Franchisor has the right, at any time and from time to time, to create reasonably constituted cooperative advertising regions ("Advertising Cooperatives"). The structure and membership of Advertising Cooperatives, when and if designated by Franchisor, will be binding upon Franchisee and Franchisee shall participate as a member in the designated Advertising Cooperative, if any, in accordance with the provisions of this paragraph. Franchisor has the right to change the make-up of the Advertising Cooperatives and may require the merger or dissolution of Advertising Cooperatives. Each COIT Franchise in an Advertising Cooperative, including those owned by Franchisor or its Affiliates, will have the right to vote on and ratify the Marketing Plan in accordance with its prorate share of the Designated Market Area ("DMA") population within its territory. All such matters are to be decided by the majority vote of the members, and their votes shall bind all members of the Advertising Cooperative. When the vote of the members does not produce a majority decision, Franchisor has the power, in its Business Judgment, to break the tie so that a majority vote is obtained. Abstentions are to be treated as votes against the matter proposed. Franchisee shall participate in and pay, on a pro-rata basis, for all cooperative advertising programs approved and adopted. Each Advertising Cooperative must collect and administer its own funds and be responsible for payment for all debts of the Advertising Cooperative. Cooperative advertising fees are in addition to and do not diminish Franchisee's obligations to contribute to the Branding & Marketing Fund established under article 5.4. However, amounts paid by Franchisee for participation in any advertising cooperative programs approved by Franchisee's Advertising Cooperative will be credited towards Franchisee's quarterly minimum Local Advertising expenditure required by article 11.8.

ARTICLE 12

TRANSFERS

12.1 Transfer by Franchisor. Franchisor has the right to transfer or assign all or any part of its rights and/or obligations under this agreement to any Person, including a subfranchisor specifically responsible for assisting Franchisee. Franchisee shall execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

12.2 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that its rights and duties in this agreement are personal to Franchisee, and that Franchisor has entered into this agreement in reliance upon Franchisee's business skills and financial capacity. Accordingly, neither Franchisee, any Principal or Remote Principal of Franchisee, or any immediate or remote successor to any part of Franchisee's interest in the Franchise granted under this agreement, may Transfer any interest in this agreement, in the Franchised Business or the Franchise granted under this agreement, or in Franchisee, without the prior written consent of Franchisor. Any purported Transfer, by operation of law or otherwise, not having the written consent of Franchisor, is null and void and constitutes a material breach of this agreement, for which Franchisor may then terminate without opportunity to cure pursuant to article 13.1.

(b) Except as provided in article 12.2(c), Franchisor shall not unreasonably withhold its consent to a Transfer, but Franchisor, in its Business Judgment, may require as conditions to Franchisor's consent:

(1) All of Franchisee's accrued monetary obligations to Franchisor or any of its Affiliates and all other outstanding obligations related to the Franchised Business (including obligations under any promissory note in favor of Franchisor or its Affiliates) must be satisfied;

(2) The transferee must demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the Franchised Business;

(3) The transferee must execute Franchisor's then-current form of franchise agreement and such ancillary agreements as Franchisor may require, for a term ending on the Expiration Date or two years from the effective date of the Transfer, whichever is later;

(4) All of the transferee's obligations to Franchisee must be subordinated to transferee's obligations to Franchisor (whether arising before or after the date of the Transfer), and Franchisee and the transferee must execute any and all instruments reasonably required by Franchisor to evidence the subordination;

(5) Franchisee must comply with the requirements of article 10.4 relating to the disclosure of Confidential Information to a prospective transferee;

(6) If the lease for the Plant so requires, the lessor must have consented to the assignment or sublease of the Plant to the transferee;

(7) The condition and operations of the Franchised Business must be in compliance with this agreement and all applicable System Standards (except to the extent Franchisor is willing to waive any such obligations on the basis of assurance of compliance by the transferee);

(8) The transferee or its Designated Principal must attend, within a reasonable period of time, the COIT Performance Orientation at a location to be determined by Franchisor. Franchisor shall provide the Orientation and all related materials at no cost to the transferee. The transferee will be responsible for all transportation, lodging and other expenses related to the Orientation;

(9) Franchisor must approve the material terms and conditions of the Transfer, including that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchised Business by the transferee;

(10) Franchisee, Franchisee's Principals, and each Person who is Transferring an Ownership Interest, must execute a noncompetition agreement favoring both Franchisor and the transferee, reaffirming the restrictions in articles 15.2(b), (c) and (d);

(11) Franchisee has provided Franchisor with an opportunity to exercise its right of first refusal under article 12.4 of this agreement, and Franchisor has declined to exercise that right; and

(12) Either Franchisee or the transferee must pay Franchisor the Transfer Fee (as defined in article 19.lll) plus Franchisor's actual legal expenses, to cover the administrative, and other expenses incurred by Franchisor in connection with the Transfer. No Transfer Fee will be required if the transferee is: (i) a spouse, domestic partner, parent or direct lineal descendant or sibling of Franchisee or one of its Principals; (ii) a Principal of Franchisee; (iii) a Business Organization formed in accordance with article 12.3 solely for the convenience of ownership, for tax purposes, or to limit Franchisee's liability for debts of the Franchised Business, if the entire Franchised Business and all of Franchisee's interest in this agreement are Transferred to the Business Organization and, immediately after the Transfer, Franchisee will beneficially own a Controlling Interest in the Business Organization. For purposes of clause (iii) of this subparagraph, all Transfers of an Ownership Interest in a non-individual Franchisee occurring since the date Franchisee first became a COIT Franchisee will be aggregated to determine the percentage of Ownership Interest being Transferred.

(c) Notwithstanding any other provision of this article 12.2, neither Franchisee, any Principal or Remote Principal, or any immediate or remote successor to any part of Franchisee's interest in the Franchise granted under this agreement, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this agreement, in the Franchise granted under this agreement, or in Franchisee (whether or not in connection with an absolute Transfer of an interest in the Franchised Business). Franchisor is not obliged to consent to any such Transfer.

(d) Notwithstanding any other provision of this article 12.2, neither Franchisee, any Principal or Remote Principal, or any immediate or remote successor to any part of Franchisee's interest in the Franchise granted under this agreement, shall Transfer any interest in this agreement, in the Franchise granted under this agreement, or in Franchisee to a Person that owns, operates, franchises, develops, consults with, manages, is involved in, or controls an Competitive Business. Franchisor is not obliged to consent to any such Transfer. If Franchisor refuses to permit a Transfer under this paragraph, the sole remedy of Franchisee, its Principals and Remote Principals will be to have a mediator or arbitrator determine whether the proposed transferee's business is a Competitive Business.

(e) In connection with any proposed Transfer, Franchisee shall comply with any laws that apply to the Transfer, including state and federal laws governing the offer and sale of franchises. Franchisee shall indemnify and defend the Franchisor-Related Persons and hold them harmless against any and all claims arising and expenses incurred (including attorney fees) directly or indirectly from, as a result of, or in connection with any alleged failure on Franchisee's part to comply with any franchise law or other law applicable to a Transfer.

(f) In connection with any proposed Transfer, Franchisor has the right to communicate with any prospective transferee and to make available for inspection by any prospective transferee all or any part of Franchisor's records relating to this agreement, the business operations, financial condition, contracts and history of the Franchised Business under Franchisee's ownership, or the history of the relationship of the parties, without any liability to Franchisee or its Affiliates, Principals, Remote Principals, directors, officers, employees or agents. Franchisee hereby specifically consents to such disclosure by Franchisor and absolutely releases and agrees to hold Franchisor harmless from and against any claim, loss or injury resulting therefrom.

12.3 Transfer to Controlled Business Organization. Franchisee may Transfer all of its interest in the Franchised Business to a Business Organization formed solely for the convenience of ownership or tax purposes, or to limit Franchisee's liability for debts of the Franchised Business, without Franchisor's consent, upon Franchisee's written notice to Franchisor and compliance with the following requirements:

(a) The transferee entity must be newly organized and its articles of incorporation or organization, bylaws, partnership agreement, or operating agreement must provide that its activities are confined exclusively to operating the Franchised Business.

(b) Franchisee shall beneficially hold a Controlling Interest in the transferee entity, shall not diminish his/her Ownership Interest therein, except as may be required by law, and shall act as its principal executive and operating officer, partner, or member.

(c) Franchisee shall provide Franchisor, on a form satisfactory to Franchisor, with written information about each Principal of the transferee entity and the Ownership Interest thereof, and shall agree to promptly notify Franchisor of any changes in any such information during the term of this agreement.

(d) The transferee entity must designate a Designated Principal in compliance with article 7.16.

(e) Franchisee, the transferee entity, and all of its Principals shall enter into an agreement, in a form satisfactory to Franchisor, under which Franchisee assigns and the transfer entity assumes all of Franchisee's rights and obligations under this agreement.

(f) All Principals of the transferee entity must enter into a Guaranty and Assumption of Obligations, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor.

(g) Each ownership certificate of the transferee entity must have conspicuously endorsed upon its face the following legend:

> "The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with COIT Services, Inc."

If Franchisee is a partnership or limited liability company without certificates evidencing ownership, Franchisee shall provide Franchisor with acceptable evidence that its partnership or operating agreement or other organizational documents contain provisions acceptable to Franchisor prohibiting the Transfer of any Ownership Interest in Franchisee other than in compliance with the terms of this agreement. Franchisee shall not cause or permit any such provision to be deleted or modified during the term of this agreement.

(h) Franchisee shall furnish Franchisor for its approval copies of the transferee entity's articles of incorporation or organization, by-laws, partnership or operating agreement, and other governing documents, including the resolutions of its Principals or governing board authorizing the execution of this agreement.

(i) The name of the transferee entity may not consist of or contain any of the Marks.

(j) Franchisee shall reimburse Franchisor for actual legal costs incurred by Franchisor in approving and effecting the Transfer.

12.4 Franchisor's Right of First Refusal. Before Franchisee may complete a Transfer, Franchisee or its Principals shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of one month after the date of delivery of the offer to Franchisor, Franchisor will have the right, exercisable by written notice to Franchisee or any of its Principals, to purchase the rights or interests to be transferred in the offer for the same price and on the same terms and conditions contained in the offer, except that Franchisor may substitute equivalent cash for any form of payment proposed in the offer. Any purchase by Franchisor must be completed within three months after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its Principals may complete the Transfer to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided in article 12.2. If the sale to that purchaser is not completed within four months after the delivery of the offer to Franchisor, Franchisor will again have the right of first refusal herein provided.

12.5 Right of Franchisee's Heirs Upon Death, Disability or Dissolution of Franchisee. A Transfer to the heirs, surviving spouse, conservators, or personal or other legal representative of Franchisee or a Principal of Franchisee (collectively, "Involuntary Transferees") upon the death, dissolution or legal disability of Franchisee or its Principal, shall not be subject to Franchisor's right of first refusal under article 12.4 or right to terminate for failure to obtain written approval under article 12.2, so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as Franchisee pursuant to article 12.2(b)(4) herein or retain an individual or entity to operate and manage the Franchised Business who is so qualified and who is approved in writing by Franchisor, and (ii) perform all other applicable acts required under article 12.2. The Transfer must be made within six months after the death, disability or dissolution of Franchisee or Franchisee's Principal, as the case may be. Any subsequent Transfer by any Involuntary Transferees will be subject to Franchisor's right of written approval under article 12.2 and to Franchisor's right of first refusal under article 12.4. A Transfer to Involuntary Transferees does not require the payment of the Transfer Fee required by article 12.2(b)(14), but Franchisee shall pay any legal costs incurred by Franchisor to approve and effect the Transfer.

12.6 Franchisor's Disclosure to Transferee. Franchisor has the right, without any liability to Franchisee, to make available for inspection by any intended transferee of Franchisee, all or any part of Franchisor's records relating to this agreement, the Franchised Business, or to the history of the relationship of the parties. Franchisee hereby specifically consents to such disclosure by Franchisor and absolutely releases and agrees to hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

ARTICLE 13

TERMINATION

13.1 Termination Without Opportunity to Cure. Franchisor may terminate this agreement upon notice to Franchisee, with immediate effect and without opportunity to cure, upon the occurrence of any of the following events:

(a) Franchisee or Franchisee's designee fails to commence the initial training program within three months after the Effective Date;

(b) Franchisee or Franchisee's designee fails to complete the training program to the satisfaction of Franchisor;

(c) Franchisee fails to open the Franchised Business within six months (or, with Franchisor's prior written approval, such longer period as required to comply with governmental licensing requirements) after the successful completion of the initial training program by Franchisee or Franchisee's designee;

(d) after opening the Franchised Business, Franchisee fails to maintain it in continuous operation or abandons, surrenders, or transfers control of the operation of the Franchised Business without Franchisor's prior written approval;

(e) Franchisee is declared bankrupt or insolvent or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code;

(f) a receiver is appointed for Franchisee or for any part of its property, or Franchisee makes any assignment for the benefit its creditors, if not dismissed within fifteen days;

(g) after Franchisee's receipt of a notice of noncompliance (regardless of the source of the notice) applicable to the Franchised Business, Franchisee fails, within the time limit stated in the notice (or, if no time limit is stated or referred to in the notice, within one month) to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business, unless Franchisee in good faith and with due diligence disputes the allegation of noncompliance;

(h) any Transfer or attempted Transfer that fails to comply with the provisions of Article 12;

(i) Franchisee maintains false books or records or submits any false report, record or document to Franchisor, knowing the same to be false;

(j) the Franchised Business or Franchise Premises are seized, taken over, or foreclosed by a government official in the exercise of his duties or by a creditor, lienholder or lessor of Franchisee;

(k) a final judgment against Franchisee remains unsatisfied for one month (unless a supersede as or other appeal bond has been filed);

(l) a levy of execution has been made upon the license granted by this agreement or upon any property used in the Franchised Business, which is not discharged within fifteen days;

(m) a material misrepresentation by Franchisee relating to the acquisition of its Franchise;

(n) any conduct or activity by Franchisee or any Principal, Remote Principal, director, or officer of Franchisee, that is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, Franchisor, the Operating System, the COIT Network, the Marks, or the goodwill associated therewith, including a felony conviction of Franchisee or any Principal, Remote Principal, director or officer of Franchisee;

(o) Franchisee makes any unauthorized use of the Marks or disclosure of any Confidential Information or the Operations Manuals;

(p) Franchisee fails for two successive years to attend or send required personnel to attend mandatory training sessions or at least one COIT Convention per year;

(q) Franchisee acquires or continues to have an Ownership Interest in any Competitive Business in violation of this agreement;

(r) Franchisor determines that Franchisee has understated its Gross Revenues by more than 5% for any monthly period

(s) within the same one-year period, Franchisee breaches any term of this agreement after having breached the same term three times (provided that Franchisee was given notice of the first three breaches and an opportunity to cure as required herein); or

(t) Franchisee operates the Franchised Business, the Franchise Premises or the Plant in a manner that presents a health or safety hazard to Franchisee's customers, employees or the public.

13.2 Termination With Opportunity to Cure. This agreement will automatically terminate one month (or such longer period as may be required by applicable law) after Franchisee's receipt of written notice of any of the following events of default, unless Franchisee cures the default within the one-month period (or such longer period as may be required by applicable law):

(a) Franchisee fails to pay when due any sum it is required to pay under this agreement or any other agreement or instrument between Franchisee and any Franchisor-Related Person;

(b) Franchisee fails to spend at least the quarterly minimum Local Advertising expenditure for two consecutive quarters as required by article 11.8, unless Franchisee cures the default by paying into the Branding & Marketing Fund, within one month after its receipt of notice of default, the difference between the quarterly minimum Local Advertising expenditure for those two quarters and Franchisee's actual Local Advertising expenditures for those two quarters;

(c) Franchisee fails to furnish when due any report required by this agreement;

(d) Franchisee fails to operate its Franchise in compliance with the terms of this agreement, the Operations Manuals, or the System Standards;

(e) Franchisee fails to provide adequate customer telephone service or fails to maintain all required telephone directory listings within the Territory in accordance with article 7.21, and does not cure either failure within fifteen days after Franchisor delivers written notice of the failure to Franchisee;

(f) Franchisee fails to offer all Mandatory Products and Services, or offers unapproved products or services, and does not cure either such failure within fifteen days after Franchisor delivers written notice of the failure to Franchisee;

(g) Franchisee fails to cease operation of the Franchised Business in any unauthorized territory within five days after written notice by Franchisor;

(h) Franchisee breaches or fails to perform any provision of this agreement not otherwise described in article 13.1, or breaches or fails to perform any provision of any other agreement between Franchisee and any Franchisor-Related Person; or

(i) Franchisee understates its Gross Revenues in any report submitted to Franchisor.

(j) Franchise fails to perform the required background checks on all employees as provide in article 7.19.

13.3 Failure to Cure Default. If Franchisee fails to cure any default within the applicable time period stated in article 13.2, Franchisee shall indemnify Franchisor for all damages, costs and expenses incurred by Franchisor as a result of Franchisee's default, including reasonable attorney and accounting fees. This paragraph applies regardless of whether or not Franchisor exercises its right to terminate this agreement. Termination of this agreement by Franchisor in accordance with this Article 13 does not prejudice any other legal or equitable rights or remedies Franchisor may have. This paragraph will survive the expiration, termination or cancellation of this agreement.

ARTICLE 14

OBLIGATIONS UPON TERMINATION

14.1. Upon the termination or expiration of this agreement, for any reason, Franchisee shall forthwith:

(a) Cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former COIT Franchisee.

(b) Immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures or techniques associated with the COIT Network or the Operating System or which display the Marks or any other distinctive forms, slogans, signs, symbols, or devices associated with or belonging to Franchisor (including removing or obscuring (i) the Trade Name, the Marks, and any slogans, symbols, designs, or names associated with or belonging to Franchisor, and (ii) any telephone numbers used in connection with the Franchised Business, from the exterior of all motor vehicles belonging to Franchisee or other parties).

(c) Franchisee shall, at its own expense, make all modifications and alterations, including removal of all distinctive physical and structural features associated with the Marks and trade dress of COIT Franchises necessary to distinguish Franchisee's COIT Vehicles, Franchise Premises, and Plant, if any, from its former appearance and from those of other COIT Franchises in order to prevent any possibility that the public will associate or confuse them with Franchisor or COIT Franchises. If Franchisee fails or refuses to comply with the requirements of this article, Franchisor has the right to enter the Franchise Premises, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required at the expense of Franchisee (this sentence does not apply if the Franchise Premises is located in Franchisee's residence).

(d) Turn over to Franchisor all brochures, advertisements, marketing materials, Operations Manuals, computer disks, policies, procedures, and instructions relating to the Franchised Business (all of which Franchisee acknowledges to be Franchisor's sole property), together with all copies thereof, and copies of all customer data including lists, correspondence and agreements with customers, and all financial, customer and other business records relating to the Franchised Business.

(e) Delete all Confidential Information (including proprietary software) relating to the Franchised Business from all computers, whether or not owned by Franchisee.

(f) Immediately pay all sums due and owing to Franchisor, whether pursuant to this agreement or otherwise, including any unpaid Branding & Marketing Fund Contributions and Royalties.

(g) Take such action as may be necessary to cancel any fictitious or assumed name or equivalent registration that contains the Trade Name or any of the other Marks, and furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen days after the termination or expiration of this agreement.

(h) Comply with the requirements of article 14.2 relating to telephone numbers and directory listings.

(i) Comply with all the provisions of Article 15.

14.2 Franchisor has the right to purchase, with thirty (30) written notice, any or all of the proprietary equipment, supplies goods, or Franchised Business assets at fair market value or at Franchisee's cost whichever is lower. If Franchisor and Franchisee cannot agree on the fair market value, the fair market value shall be determined by an independent appraiser designed by Franchisor. The fair market value of the vehicles will be based on the Kelly Blue Book value based on trade-in value, "good" condition and current miles. Telephone Numbers and Directory Listings. Notify the telephone company and all listings agencies of the termination or expiration of Franchisee's right to use the existing telephone number(s) related to the operation of the Franchised Business ("Telephone Numbers") and any regular, classified or other telephone directory listings associated with any of the Marks ("Directory Listings"), and to authorize the transfer of the Telephone Numbers and Directory Listings to Franchisor or Franchisor's designee. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole right to all Telephone Numbers and Directory Listings, and Franchisee authorizes Franchisor, and appoints Franchisor and any officer Franchisor designates, as Franchisee's attorney-in-fact, to direct the telephone company and all listing agencies to transfer the Telephone Numbers and Directory Listings to Franchisor or Franchisor's designee if Franchisee fails or refuses to do so, and the telephone company and all listing agencies may accept such direction or this agreement as conclusive of Franchisor's exclusive rights in the Telephone Numbers and Directory Listings and Franchisor's authority to direct their transfer.

14.3 Franchisor as Agent. Franchisee does hereby irrevocably constitute and appoint Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under this Article 14. Franchisee shall promptly execute, acknowledge and deliver to Franchisor any and all documents that may be required to carry out Franchisee's obligations hereunder. The provisions of this Article 14 will survive the expiration, termination or cancellation of this agreement.

ARTICLE 15

RESTRICTIONS ON COMPETITION

15.1. Reason for Restrictions. Franchisee understands and acknowledges that the Marks, the business and reputation associated with the Marks, the methods and techniques employed by Franchisor, the training and assistance provided by Franchisor, and the knowledge of Franchisor's methods, operations and services, contacts and experience acquired by Franchisee are of considerable value and would not be acquired except through implementation of this agreement. Further, Franchisee acknowledges that Franchisor has devoted significant time and expense in the development of the Operating System. As a result, both parties agree that Franchisor possesses a proprietary interest in the Confidential Information, which the parties acknowledge as a trade secret owned by Franchisor subject to a restricted license to Franchisee for use during the Term in accordance with the terms and conditions of this agreement and the Manual. Further, Franchisee agrees that competition by persons or entities associated with Franchisee (including family members) and/or with the Franchised Business could seriously jeopardize Franchisor and the entire COIT Network because Franchisee has received an advantage through the knowledge of the day-to-day operations and the Confidential Information related to the Operating System.

15.2. Covenants.

(a) During-Term Noncompetition. During the Initial Term and Interim Term, if any, Franchisee and its Principals and Remote Principals, either for themselves or through, on behalf of, or in conjunction with any Person (including the spouse or children of Franchisee or any of its Principals or Remote Principals), shall not:

(1) develop, operate, engage in, or acquire or maintain any interest as an owner, partner, shareholder, member, investor, director, officer, employee, manager, consultant, independent contractor, representative or agent in, any Competitive Business;

(2) divert or attempt to divert any business or customer of the Franchised Business or of any other COIT Franchisee to any Competitive Business;

(3) by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the COIT Network;

(4) infringe upon rights granted under franchise agreements with other COIT Franchisees; or

(5) aid, assist or provide goods or services to any Competitive Business.

The restrictions in this article 15.2(a) have no geographic limitation.

(b) Post-Term Noncompetition. During the Restrictive Period (as defined in article 15.2(b)(2), Franchisee and its Principals and Remote Principals, either for themselves or through, on behalf of, or in conjunction with any Person (including the spouse or children of

Franchisee or any of its Principals or Remote Principals), shall not develop, operate, engage in, or acquire or maintain any interest as an owner, partner, shareholder, member, investor, director, officer, employee, manager, consultant, independent contractor, representative or agent in, any Competitive Business within the Restricted Territory (as defined in article 15.2(b)(3).

(1) Article 15.2 does not preclude any Person from owning an interest of one percent or less in a publicly-traded company engaged in a Competitive Business.

(2) For purposes of article 15.2(b), "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of TWO YEARS after any Transfer or the termination or expiration of this agreement for any reason. However, if a court of competent jurisdiction determines that the two-year Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of ONE YEAR after any Transfer or the termination or expiration of this agreement for any reason. If a court of competent jurisdiction determines that the one-year Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of NINE MONTHS after any Transfer or the termination or expiration of this agreement for any reason. If a court of competent jurisdiction determines that the nine-month Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of SIX MONTHS after any Transfer or the termination or expiration of this agreement for any reason. If a court of competent jurisdiction determines that the six-month Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any. The Restrictive Period will be stayed during any violation or breach of the terms of article 15.2(b).

(3) For purposes of article 15.2(b), "Restricted Territory" means an area defined as follows: the Territory designated in article 1.2 and any location within sixty miles of any point in the Territory, except that there will be no geographical limitation if the Competitive Business uses a trade name, service mark, trademark, logo, concept, format or operating system that is similar to or suggestive of the Operating System or the Marks. If a court of competent jurisdiction determines that the Restricted Territory is unenforceable due to its breadth, then "Restricted Territory" means the Territory designated in article 1.2, except that there will be no geographical limitation if the Competitive Business uses a trade name, service mark, trademark, logo, concept, format or operating system that is similar to or suggestive of the Operating System or the Marks.

(c) Nonsolicitation. During the Initial Term and Interim Term, if any, and for a period of TWO YEARS after any Transfer or the termination or expiration of this agreement for any reason, Franchisee and its Principals and Remote Principals, either for themselves or through, on behalf of, or in conjunction with any Person (including the spouse or children of Franchisee or any of its Principals or Remote Principals), shall not (i) induce or attempt to induce any employee or manager of Franchisor or any other COIT Franchisee to leave his or her employment; or (ii) divert or attempt to divert any business or client of Franchisor or any other COIT Franchisee, to Franchisee or any other Person that is not then a COIT Franchisee.

(d) Nondisclosure. Franchisee and its Principals and Remote Principals shall not at any time, whether during the Term or at any time after any Transfer or the termination or expiration of this agreement for any reason, directly or indirectly divulge or otherwise disclose any of the Confidential Information to any unauthorized Person (including family members).

15.3. Reasonableness of Covenants. Franchisee acknowledges and agrees that all of the covenants in article 15.2 are reasonable both in time and in scope of geographic area. Franchisee acknowledges and agrees that its failure to adhere strictly to the restrictions of article 15.2 will cause substantial and irreparable damage to Franchisor for which there is no adequate remedy at law. Accordingly, Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable legal fees and expenses incurred by Franchisor to obtain, an injunction prohibiting any conduct by Franchisee or its Principals or Remote Principals in violation of any of the terms or conditions of article 15.2. Franchisee also acknowledges and agrees that Franchisee and each of its Principals and Remote Principals have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of those covenants.

15.4. Equitable Relief. Franchisor has an independent right to apply for equitable relief, including an injunction, regardless of the enforceability of any other article within this agreement. Notwithstanding any provision of this or any other agreement, Franchisor is not required to mediate or arbitrate any claim or dispute relating to the subject matter of article 15.2.

15.5. Independence and Severability. Each of the covenants in each subparagraph of article 15.2 is to be construed as independent of any other provision of this agreement. If all or any portion of any covenant in article 15.2 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenants subsumed within the terms of the unreasonable or unenforceable covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of article 15.2.

15.6. Attorney Fees. Franchisee shall pay all reasonable attorneys' fees and all other reasonable costs incurred by Franchisor in the prosecution of any action between the parties to enforce the covenants in Article 15, provided that Franchisor substantially prevails in the action.

15.7. Reduction of Covenants by Franchisor. Franchisor has the right, in its Business Judgment, to reduce the scope of any covenant in this Article 15 or any portion thereof without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of article 18.3.

15.8. Claims Against Franchisor No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Article 15.

15.9. Nondisclosure and Noncompetition Agreements. Franchisee shall provide Franchisor with an executed "Nondisclosure and Noncompetition Agreement" containing covenants similar in substance to those in this Article 15 (including covenants applicable upon the termination of a Person's relationship with Franchisee), from each of the Principals, officers, and directors of Franchisee and the Principals, officers, and directors of any non-individual Principal of Franchisee. With respect to each Person who becomes associated with Franchisee in one of those capacities after the Effective Date, Franchisee shall require and obtain a Nondisclosure and Noncompetition Agreement from them and promptly provide Franchisor with an executed copy. Franchisee shall not grant any Person holding any of the foregoing positions access to any confidential aspect of the Operating System or the Franchised Business before they execute a Nondisclosure and Noncompetition Agreement. All Nondisclosure and Noncompetition Agreements required by this article must be in form satisfactory to Franchisor, including the specific identification of Franchisor as a third-party beneficiary with the independent right to enforce it. Franchisee's failure to obtain the execution of any Nondisclosure and Noncompetition Agreement required by this article and provide them to Franchisor will be a material breach of this agreement.

ARTICLE 16

DISPUTE RESOLUTION

16.1 Mediation/Arbitration. Except as provided in article 16.2, all Disputes between Franchisor and Franchisee (including claims against their Affiliates, officers, directors, agents, employees, licensors, licensees, independent contractors or consultants) that are not resolved within one month after either party receives written notice thereof from the other, must be resolved by mediation or arbitration in the following manner:

(a) Before commencement of arbitration as provided below, any Dispute must be submitted to non-binding mediation to the San Francisco, California office of Judicial Arbitration Mediation Services ("JAMS") on demand of either party. The mediation proceeding must be conducted in San Francisco, California with both parties physically present and in accordance with JAMS's then-current Commercial Mediation Rules. If JAMS has ceased to exist, mediation must be conducted through the San Francisco office of the American Arbitration Association with both parties physically present and in accordance with its then-current rules for commercial mediation.

(b) If mediation concludes without a resolution of the Dispute under a binding settlement agreement executed by the parties, the Dispute shall not be litigated, but either party may initiate binding arbitration of the Dispute. The arbitration proceeding must be submitted to the San Francisco, California office of JAMS. The arbitration proceeding must be conducted in San Francisco, California with both parties physically present and in accordance with JAMS's then-current Commercial Arbitration Rules. If JAMS has ceased to exist, the arbitration must be conducted through the San Francisco Office of the American Arbitration Association with both parties physically present and in accordance with its then-current rules for commercial arbitration.

(c) This agreement for mediation and arbitration will be effective and binding notwithstanding the expiration or termination of this agreement. Any Dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. No arbitration proceeding may be consolidated with any other arbitration proceeding involving any other Person, except for Affiliates of the parties to the arbitration.

(d) For purposes of this Article, the term "Dispute" means a claim, dispute, disagreement, controversy or other matter pertaining to: the formation, execution, breach, interpretation, validity or enforceability of all or any part of this agreement, the Operations Manual, or any other agreement between Franchisor and Franchisee that is related to this agreement; the offer or sale of the Franchised Business to Franchisee, the relationship between Franchisor and Franchisee; or any specification, standard or operating procedure relating to the establishment or operation of the Franchised Business.

16.2 Injunctive Relief. Notwithstanding any provision of this or any other agreement to the contrary, Franchisor expressly reserves the right, without first complying with the mediation and arbitration requirements of article 16.1, to seek temporary and permanent injunctions and orders of specific performance in any court of competent jurisdiction to enforce the provisions of this agreement relating to (a) unauthorized use or infringement of any of the Marks; (b) unauthorized use of any licensed software program or copyrighted material or other Confidential Information; (c) Franchisee's obligations upon the termination or expiration of this agreement; (d) Franchisee's obligations under Article 15; (e) a Transfer or attempted Transfer in violation of Article 12; or (f) as necessary to prohibit any act or omission by Franchisee or its agents that would constitute a violation of any applicable law, ordinance, or regulation, that is dishonest or misleading to Franchisor, another COIT Franchisee, or a customer of Franchisee, or that may harm, tarnish or impair the goodwill, reputation, name, products or services of Franchisor, another COIT Franchisee, or the Marks. Franchisor also has the right to enforce by judicial process any right it has to possession of the Plant under this agreement or any sublease or collateral conditional assignment of lease with Franchisee. Franchisor is not required to post a bond to obtain any injunctive relief. Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of the injunction. Either party may seek injunctive relief to prohibit a wrongful termination of this agreement by the other party, without first submitting the dispute to mediation, but without prejudice to the right to demand mediation or arbitration in accordance with article 16.1 or to Franchisor's rights to demand compliance with subparagraphs (b), (d) or (e) of article 14.1 after a termination.

16.3 WAIVER OF JURY TRIAL. EACH PARTY (AND ITS PRINCIPALS AND GUARANTORS) HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

16.4 WAIVER OF PUNITIVE DAMAGES. EACH PARTY (AND ITS PRINCIPALS AND GUARANTORS) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM OF ANY MULTIPLE, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

16.5 Governing Law. Except to the extent governed by the U.S. Trademark Act and other applicable federal laws, the laws of the state in which the Franchise Premises is located (excluding Franchise Laws, unless the jurisdictional requirements thereof are met independently without reference to this article) govern all aspects of this agreement without reference to conflict of laws principles. If any provision of this agreement relating to the termination, non-renewal or assignment of the franchise, or to choice of law, jurisdiction or venue, is inconsistent with any applicable Franchise Law of another state, then the applicable Franchise Law of the other state will govern.

16.6 Jurisdiction and Venue. All suits, actions and other judicial or arbitration proceedings between Franchisee and any Franchisor-Related Person must be filed only in the federal or state judicial district in which Franchisor has its principal place of business (presently San Francisco, California). Each party (and its Principals and Guarantors) hereby irrevocably submits to the jurisdiction of, and consents and agrees that venue is proper in, all courts included within the state court system of California and all courts of the United States of America sitting within the State of California (including all United States District Courts within the State of California), and hereby irrevocably waives any right they may have to transfer or change the venue in any proceedings filed in those courts. Notwithstanding the foregoing sentences of this paragraph, either party may sue the other party in the jurisdiction in which the defending party's principal office is located.

16.7 Mediation of Disputes Between Franchisees. In the event of a dispute between Franchisee and another COIT Franchisee relating to or arising from (i) the operation of the Franchised Business in the other COIT Franchisee's franchise territory in violation of article 1.3, or (ii) the operation of the other COIT Franchisee's business in the Territory in violation of a parallel covenant in the other COIT Franchisee's agreement with Franchisor, then Franchisee shall first attempt in good faith to settle the dispute by confidential, non-binding mediation before a mediator referred by Franchise Arbitration and Mediation Services ("FAM") (or any other organization upon which the parties mutually agree) and selected by the parties, in accordance with FAM's Mediation Referral Guidelines (or the procedures of such other organization), at a location to be selected by the mediator, before resorting to arbitration, litigation, or any other dispute resolution procedure (other than direct negotiation by the parties or their representatives). Franchisee shall pay all costs of mediation, unless the other COIT Franchisee's franchise agreement contains a clause similar to this article, in which case the parties shall equally share the costs of mediation. Franchisor may, at its option, be a party to the mediation, but will not be obligated to pay any of the costs.

ARTICLE 17

RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

17.1 Independent Contractors. This agreement does not create a fiduciary relationship between the parties. The parties are independent contractors, and nothing in this agreement is intended to create a partnership, joint venture, employment or agency relationship between Franchisor and Franchisee for any purpose, or to authorize Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisee shall not employ any of the Marks in signing any contract, application for any license or permit, or in any manner that may result in liability for Franchisor, and Franchisee shall not use the Marks in any way except as expressly authorized in this agreement. Except as expressly authorized in writing, neither party may make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name of or on behalf of the other, or represent that their relationship is other than franchisor and franchisee. Neither party is obligated by nor have any liability under any agreements or representations made by the other that are not expressly authorized in writing. Franchisor is not obligated for any damages to any Person or property from the operation of the Franchised Business or Franchisee's business, whether or not caused by Franchisee's negligent or willful action or failure to act. Franchisor will in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor is not liable to any third party for any act or omission of Franchisee (including any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefor against Franchisee. Nothing in this agreement permits or authorizes Franchisor to direct, limit, or otherwise control Franchisee's professional judgment or the professional judgment of Franchisee's employees who provide professional services at, from or through the Franchised Business.

17.2 NOTICE OF FRANCHISE RELATIONSHIP. FRANCHISEE SHALL DISPLAY PROMINENTLY AT THE FRANCHISE PREMISES, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE IN ACCORDANCE WITH SYSTEM STANDARDS AND AS STATED IN THE OPERATIONS MANUALS.(REFER TO THE OPERATIONS MANUALS).

17.3 Indemnification.

(a) Franchisee shall indemnify each of the Franchisor-Related Persons and hold each of the Franchisor-Related Persons harmless for, from and against any and all claims, actions, damages, liabilities, costs and expenses, including court costs and reasonable attorney fees (any of which shall be referred to as a "Claim") incurred by any of the Franchisor-Related Persons: (i) arising from the operation of the Franchised Business, Franchisee's alleged performance and/or nonperformance of any of Franchisee's obligations under this agreement or any other agreement to which both Franchisee and Franchisor (or its Affiliate) are parties, or any other action or omission of Franchisee and/or its Principals; (ii) arising from alleged violations of Franchisee's relationship with and responsibility to Franchisor; and (iii) for any taxes or penalties assessed by any governmental entity against Franchisor that are directly related to Franchisee's failure to pay or perform functions required of Franchisee under this agreement. The indemnification in this article 17.3 does not apply to any Claim (i) that is determined by a final and non-appealable decision of a court of competent jurisdiction to be solely caused by an act or omission of Franchisor, (ii) that is determined by a final and non-appealable decision of a court of competent jurisdiction to arise from Franchisee's proper reliance on or use of procedures or materials provided by Franchisor, or (iii) arising from the occurrence or nonoccurrence of an event determined by a final and non-appealable decision of a court of competent jurisdiction to be proximately caused by Franchisor's failure to comply with the terms and conditions of this agreement.

(b) A Franchisor-Related Person must notify Franchisee in writing of any Claim to which Franchisee's indemnification obligation applies as soon as practicable after the Franchisor-Related Person obtains actual knowledge of the assertion of the Claim. Each of the Franchisor-Related Persons has the right, in its Business Judgment, (i) to retain its own counsel of its own choosing to represent it with respect to any Claim, and (ii) to control the response to any Claim and the defense thereof, including the right to enter into an agreement to settle the Claim. Franchisee may participate, at its own expense, in such defense. Franchisee shall fully cooperate with the Franchisor-Related Persons and their counsel to assist them with the negotiation, settlement or defense of any Claim, and to reimburse the Franchisor-Related Persons for all of their costs and expenses in defending any Claim, including court costs and reasonable attorney fees, within one month after the date Franchisee's receipt of each invoice from an Franchisor-Related Person enumerating its costs, expenses and attorneys' fees.

(c) Franchisee's indemnification obligations in this article 17.3 will continue in full force and effect after and notwithstanding a Transfer or the expiration or termination of this agreement.

ARTICLE 18

GENERAL TERMS

18.1. Integration. This agreement, together with its exhibits, constitutes the entire agreement between the parties relating to the subject matter hereof, and any prior agreements and understandings between the parties relating to the same subject are hereby superseded and merged into this agreement. This paragraph is not a disclaimer or waiver by Franchisee of its reliance on any representations made in Franchisor's franchise disclosure document received by Franchisee, or in any exhibit or amendment thereto.

18.2. Express Agreement. The parties acknowledge that their business relationship is based solely upon this agreement and agree that it should be enforced according to its express provisions. The language of this agreement is to be construed according to its plain meaning, and not strictly against a party because it drafted this agreement. Neither party intends or expects that either party's rights and obligations in this agreement will be defined or determined to be other than as expressly written, or that additional obligations will be imposed on either party that it has not expressly assumed in writing. It would be contrary to the parties' intentions and expectations to impose any doctrine, rule of interpretation, or implied covenant, such as an "implied covenant of good faith and fair dealing."

18.3. Modification. This agreement may be modified or amended only by a written instrument signed by each of the parties.

18.4. Binding Effect; Assignment. This agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, heirs, successors, and assigns, except that Franchisee may not assign any of its rights or interest in this agreement without first complying with the provisions of article 12.2.

18.5. Article Headings and Numbers. The headings in this agreement are for reference purposes only and do not affect the meaning or interpretation of any provision of this agreement. All references to article and article numbers mean article and article numbers of this agreement unless another document is specified.

18.6. Notices. All notices, requests, demands and other communications required or permitted under this agreement must be made to the addresses listed on page 1 or to such other address as the parties may from time to time furnish to each other in the manner provided in this article, must be in writing, made by personal delivery, e-mail or by certified mail, postage prepaid, return receipt requested, or by ordinary mail, postage prepaid, or by overnight delivery service with proof of delivery, and will be effective upon actual receipt or refusal thereof or, if by ordinary mail, seventy-two hours after deposit in the United States mail, postage prepaid.

18.7. Severability.

(a) If any provision of this agreement, in whole or in part (or the application of any provision to a specific situation), is held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this agreement, the invalidity is to be limited to the specific provision in question or portion thereof (or to the situation in question), and this agreement is to be construed and applied in such manner as to minimize the invalidity. All other provisions of this agreement will otherwise remain in full force and effect.

(b) If any applicable Franchise Law of any jurisdiction requires a greater prior notice of the termination of this agreement or refusal to grant a Successor Franchise than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation will be substituted for the comparable provisions of this agreement, and Franchisor has the unlimited right to modify the invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisor shall be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this agreement, as though it were separately articulated in and made a part of this agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this agreement will be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and are to be enforced as originally made and entered into in all other jurisdictions.

18.8. No Waiver. No failure of one party to exercise any power reserved to it under this agreement, or to insist upon strict compliance by the other party with any provision of this agreement, and no custom or practice of the parties in variance with the terms of this agreement, constitutes a waiver of a party's right to demand exact compliance with the terms of this agreement. A waiver by one party of any particular default by the other party is not binding unless in writing and executed by the party sought to be charged, and does not affect or impair the non-defaulting party's right with respect to any subsequent default of the same or of a different nature; nor does any delay, waiver, forbearance, or omission of one party to exercise any power or right arising out of any breach or default by the other party of any provision of this agreement, affect or impair the non-defaulting party's rights, nor shall such constitute a waiver by the non-defaulting party of any right under this agreement or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due under this agreement will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any provision of this agreement.

18.9. Counterparts. This agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

18.10. Survival of Post-Termination Provisions. All Post-Termination Provisions of this agreement will survive a Transfer and/or the termination or expiration of this agreement or the Franchise granted under this agreement, regardless of whether the provisions specifically state so.

18.11. No Third-Party Beneficiaries. Except as may be specifically provided otherwise in and with respect to specific provisions of this agreement, nothing in this agreement is intended or will be deemed to confer any rights or remedies upon any Person not a party hereto.

18.12. Interpretation. If there is an inconsistency between the terms of this agreement and the Operations Manuals, the terms of this agreement will control. Throughout this agreement, the singular includes the plural and vice versa, and the masculine includes the feminine or neuter and vice versa, wherever and whenever the context may require. The word "including" is to be construed to include the words "without limitation."

18.13. Exercise of Business Judgment. In this agreement, the phrases "sole and absolute discretion," "sole discretion" and "Business Judgment" (as defined in article 19.f) mean that Franchisor has the wholly unrestricted right to make decisions and take (or refrain from taking) actions. In exercising its discretion, Franchisor will use its judgment based on its assessment of the interests it considers appropriate and is not required to consider Franchisee's individual interests or the interests of any other COIT Franchisee. Franchisor, Franchisee and all other COIT Franchisees have a collective interest in working within a franchise system with the flexibility to adjust to changing business conditions, including the competitive environment, regulatory developments, and emerging business opportunities. Therefore the ultimate decision-making responsibility for the COIT Network and the Operating System must be vested in Franchisor. So long as Franchisor acts in compliance with the requirements of this agreement, it has no liability for the exercise of its discretion in accordance with the provisions of this agreement.

ARTICLE 19

DEFINITIONS

To simplify this agreement and make it easier to read and understand, certain terms have been defined below and will be capitalized throughout the agreement. Capitalized words that are not defined below are defined in the article where they first appear.

a) "Affiliate" means a Person that controls, is controlled by, or is under common control with another Person. As to Franchisee, it includes an owner of any interest in Franchisee or the Franchised Business, any employee or agent of Franchisee, and any Person controlled by any of the foregoing.

b) "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

c) "Authorized Products and Services" are those products and services that Franchisee is permitted to offer and provide (currently including cleaning services for draperies, upholstery, carpets, area rugs, air ducts, tile, and grout, new drapery sales, re-upholstering, and sales of related products and services), as more specifically described in the Operations Manuals. Authorized Products and Services include all Mandatory Products and Services. Franchisor has the right to add or remove products and services from the list of Authorized Products and Services in its Business Judgment as provided in article 7.3.

d) "Branding & Marketing Fund Contribution" means the recurring fee Franchisee is required to make under article 5.4 to a Branding & Marketing Fund established under article 11.2.

e) "Branding & Marketing Fund" means a national and/or regional branding, marketing, or advertising fund established under article 11.2 for the purposes described therein.

f) "Business Judgment" means that Franchisor is allowed to exercise its judgment however it considers to be appropriate in its sole and unfettered discretion (except that it may not do so arbitrarily), and has the unrestricted right to make decisions and take or refrain from taking actions (except that it may not do so arbitrarily), and has the right to do so even if a particular decision/action may have negative consequences for Franchisee, another COIT Franchisee, or a group of COIT Franchisees. The exercise of Business Judgment is critical to Franchisor's role as the franchisor of the COIT Network and to Franchisor's goals for the continuing improvement of the Operating System. This definition is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

g) "Business Organization" means a corporation, limited liability company, limited liability partnership, limited company, partnership of any kind, joint venture, unincorporated association, or other organization formed for a commercial purpose.

h) "COES" is an acronym for "COIT Order Entry System," a proprietary computer application developed by Franchisor that records customer orders, captures customer names, addresses and other information, assists in dispatching and routing customer service calls. Franchisee is required to use COES or other software that Franchisor designates from time to time in the operation of the Franchised Business. See article 7.20(c).

i) "COIT Franchise" or "Franchise" is a business operated under a license granted by Franchisor that offers Authorized Products and Services using the Marks (COIT) and Franchisor's distinctive business format, which includes distinctive standards, methods, procedures and specifications developed by Franchisor for the promotion and provision of services, distinctive advertising, specially-designed business forms for efficient business operation, Operations Manuals, proprietary software and training courses, all of which may be supplemented, modified, or withdrawn by Franchisor from time to time.

j) "COIT Franchisee" is a Person who owns and operates a COIT Franchise.

k) "COIT Network" means the network of COIT Franchises established by Franchisor.

l) "Communication and Information System" means the computer and communications system described in article 7.20 that Franchisee is required to purchase and use in the operation of the Franchised Business.

m) "Competitive Business" means a business that offers or sells, or franchises or licenses others to operate a business that offers or sells draperies, re-upholstering services, or cleaning services for draperies, upholstery, carpets, area rugs, air ducts, tile or grout, or any other products or services similar to those offered as part of the Operating System or in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliates, or other COIT Franchises, or that is competitive with the services or products offered by COIT Franchises, including but not limited to Core, Disaster Restoration , Stone Restore Services and Wood Floor Services.

n) "Confidential Information" is defined in article 10.1.

o) "Controlling Interest" means the direct or indirect ownership (legal or beneficial) or control of more than 50% of the equity, profits, or voting control of a Business Organization.

p) "Core Services" means and includes cleaning services and products for draperies, upholstery, protective applications, carpets, area rugs, air ducts, tile and grout, and any other services that Franchisor designates as Core Services. Core Services does not include Restoration Services, Stone Restore Services, and Wood Floor Services. Core Services are mandatory cleaning services that must be offered by the Franchised Business.

q) "Designated Principal" means an individual Principal of Franchisee designated by Franchisee in accordance with article 7.16 who will be responsible for the general oversight and management of the operations of the Franchised Business on behalf of Franchisee.

r) "Embargoed Person" means (a) a Specifically Designated National as identified by the Office of Foreign Assets Control of the U.S. Treasury Department; (b) a Person who is listed in the Annex to Executive Order 13224 (http://www.treasury.gov/offices/enforcement/ofac/sdn); or (c) any Person subject to trade restrictions under U.S. law, including any Anti-Terrorism Law, and any executive orders or regulations promulgated thereunder, with the result that the investment in a COIT Franchise, whether direct or indirect, is prohibited by law.

s) "Effective Date" means the date this agreement becomes effective as defined on the signature page.

t) "Expiration Date" means the day before the tenth anniversary of the Effective Date, and is the last day of the Initial Term.

u) "Franchised Business" means the COIT Franchise that Franchisee is licensed to operate under this agreement.

v) "Franchisee" means, in addition to the Person or Persons identified as "Franchisee" on page 1, all Principals and Remote Principals of a Business Organization that executes this agreement as Franchisee, and all Persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law. By signing this agreement, each of the Principals and Remote Principals of the Business Organization that executes this agreement as Franchisee, acknowledges and accepts the duties and obligations imposed upon each of them, individually, by this agreement. All Principals and Remote Principals of Franchisee must, by separate agreement, personally guarantee all of Franchisee's obligations to Franchisor. If two or more individuals are the "Franchisee" under this agreement, their liability to Franchisor is joint and several.

w) "Franchisee Intranet" is the electronic system established and maintained by Franchisor or its designee to provide private and secure communications between Franchisor, Franchisee, other COIT Franchisees and other authorized users as determined by Franchisor in its Business Judgment, including COIT Franchisees who enter into and abide by the Terms of Use Agreement, as described in article 7.20(k).

x) “Franchise Law” means a statute, regulation or rule that (i) regulates the sale of franchises, franchise investments or business opportunities; (ii) regulates the relationship between a franchisor and a franchisee or between a business opportunity seller and purchaser; or (iii) requires the delivery, filing or registration of a pre-sale franchise or business opportunity disclosure document.

y) “Franchise Premises” means the physical location from which the Franchised Business is operated.

z) “Franchisor-Related Persons” means Franchisor and each and all of the following, whether past, current, or future: Persons acting through, in concert with, or as Affiliates of Franchisor or of any of the foregoing; Principals, officers, directors, agents, attorneys, accountants, and employees of Franchisor or any of the foregoing; and predecessors, successors, or assigns of Franchisor or any of the foregoing.

aa) “Good Standing” means that Franchisee and each of its Principals and Affiliates are not in breach and in compliance with any obligation to Franchisor and/or any of the Franchisor-Related Persons, whether arising under this agreement or any other agreement between Franchisee (and/or each of its Principals and Affiliates) and Franchisor (and/or any of the Franchisor-Related Persons), under the Operations Manuals, or under other System Standards (collectively, the “Obligations”). Franchisee is not in Good Standing if Franchisee has been in breach and/or noncompliance of any Obligation and the breach or noncompliance is incurable by nature or part of a series of repeated breaches or noncompliance. The breach and/or noncompliance of any obligation need not be material or a default under this agreement or any other agreement for the Franchisee to be held not in Good Standing.

bb) “Gross Revenues” is defined in article 5.12.

cc) “Initial Franchise Fee” means the one-time fee Franchisee is required to pay Franchisor under Article 4.

dd) “Initial Term” means a period of ten years commencing on the Effective Date and ending on the Expiration Date.

ee) “Intellectual Property” includes inventions, discoveries, know-how, show-how, processes, methods, unique materials, copyrightable works, original data and other creative or artistic works that have value. Intellectual Property includes that which is protectable by statute or legislation, such as patents, copyrights, trademarks, service marks and trade secrets, as well as the physical embodiments of intellectual effort, for example, models, machines, devices, designs, apparatus, instrumentation, circuits, computer programs and visualizations, biological materials, chemicals, other compositions of matter, plants and records of research.

ff) “Interim Term” means the period following the Expiration Date during which this agreement continues to be effective in accordance with article 2.3.

gg) “Intranet Use Fee” means the monthly fee Franchisee is required to pay Franchisor under article 5.7 for Franchisee’s access to and use of the COIT Intranet.

hh) “Limited Liability Entity” means a Business Organization (such as a corporation, limited liability company, limited liability partnership or limited company) for which the laws of the jurisdiction in which the organization was formed provide “limited liability” for the owners of the organization, in that their liability for the organization’s debts is limited to the amount of their *capital investment* in the organization (*i.e.*, the consideration each paid or agreed to pay to the organization in exchange for his ownership interest in the organization).

ii) “Local Advertising” means advertising, promotion, and public relations within the local area to be serviced by the Franchised Business, and consists only of direct costs to purchase marketing materials (including, by way of example and not limitation, point-of-sale materials), promotion, out-of-pocket expenses for the cost of advertising and sales promotion (including, by way of example and not limitation, media placement charges, advertising agency fees and expenses, cash and "in-kind" promotional payments, postage, shipping and photocopying), the cost of telephone directory listings and advertisements, and such other activities and expenses as Franchisor in its Business Judgment may specify. Franchisor may specify the types of advertising and promotional activities and costs that do not qualify as "Local Advertising," including, by way of example and not limitation, the face value of promotional coupons, cash donations, and the cost of products or services donated or provided at a discount to charitable organizations.

jj) "Mandatory Products and Services" are those products and services that Franchisee is required to offer and provide (currently including cleaning services for draperies, upholstery, carpets, area rugs, air ducts, tile, and grout), as more specifically described in the Operations Manuals. Franchisor has the right to add or remove products and services from the list of Mandatory Products and Services in its Business Judgment as provided in article 7.3.

kk) "Marks" are the trademarks, service marks, trade names, trade dress, and other commercial symbols that Franchisor or its Affiliate uses or may adopt to identify the products and/or services offered under the Operating System, including the COIT® mark. "Marks" do not include trademarks, service marks, trade names, trade dress, and other commercial symbols used to identify the products and/or services offered by franchisees of another system (even if they are Competitive Businesses) acquired by Franchisor or its Affiliate.

ll) "Month" means the period beginning on a given numerical day of a month and ending on the same numerical day of the following month of the Gregorian calendar, without regard to the number of days in either month.

mm) "Operating System" means the distinctive business methods and features of the COIT Network, which have been developed by Franchisor for the operation of COIT Franchises, including the Marks and Franchisor's distinctive business format, which includes distinctive standards, methods, procedures, and specifications developed by Franchisor for the promotion and provision of services, distinctive advertising, specially-designed business forms for efficient business operation, Operations Manuals, and training courses, all of which may be supplemented, modified, or withdrawn by Franchisor from time to time.

nn) "Operations Manuals" means the COIT operating manuals and other items that Franchisor may provide in the future, including the new employee training manual, advertising and marketing manual, the Style Guide and other manuals, and all books, computer programs, pamphlets, memoranda, and other publications prepared by or on behalf of Franchisor, as may be added to, modified, or withdrawn by Franchisor from time to time, containing the standards, methods, procedures, and specifications of the Operating System.

oo) "Ownership Interest" means: (1) a share of capital stock in any corporation, a partnership interest in any partnership, or a membership interest in any limited liability company, or a right to a share of the revenues, profits, or assets of any other Business Organization (other than Franchisor's right to receive Royalties and Branding & Marketing Fund Contributions from any COIT Franchisee under this or any other agreement); and (2) with respect to Franchisee, in addition to the foregoing, any other equitable or legal right in the revenues, profits, rights or assets of Franchisee or the Franchised Business (other than Franchisor's right to receive Royalties and Branding & Marketing Fund Contributions from Franchisee under this or any other agreement).

pp) "Person" includes a corporation, limited liability company, partnership of any kind, joint venture, unincorporated association, estate, trust, charitable organization, government, governmental body and agency, commission, and any other entity and organization, as well as an individual.

qq) "Plant" means the facility, if any, that Franchisee operates for drapery, fabric treatment, and related cleaning services pursuant to Article 3 of this agreement.

rr) "Post-Termination Provisions" are those obligations in this agreement that are intended by their nature to survive the expiration, transfer, repurchase or termination of this agreement for any reason. Post-Termination Provisions include, but are not limited to, the confidentiality, noncompetition, indemnification, de-identification, interpretation and dispute resolution provisions in articles 2.3, 5.14, 7.9, 7.7, 8.2, 8.3, 9.2, 10.2, 10.3, 13.3, and Articles 14, 15, 16, 17 and 18.

ss) "Principal" means a legal or beneficial owner of an Ownership Interest in a Business Organization.

tt) "Remote Principal" means a Principal of a Business Organization that is a Principal of another Business Organization.

uu) "Restoration Addendum" means an addendum to its franchise agreements that Franchisor uses to authorize COIT Franchisees to provide Restoration Services.

vv) "Restoration Services" means the services required to return the customer's property back to its pre-loss condition after damage by fire, smoke, water, sewage or other causes, which services may include among others as may be authorized by Franchisor, cleaning, drying, deodorizing, restoration and repair, performed at the customer's premises or at off-site facilities, boxing, transport and storage of damaged furniture and contents for off-site processing and transport of contents back to the premises.

ww) "Royalty" means the recurring fee Franchisee is required to pay Franchisor under article 5.1 in consideration of Franchisee's continued right to use the Marks.

xx) "Software License Agreement" means an agreement that grants Franchisee the right to use, and establishes the terms of use for, the COES software, and any other agreement that Franchisee is required to enter into with Franchisor in connection with an Enhancement.

yy) "Special Account" is a special customer (which may be, but is not limited to, a national or regional customer, other large business, or government agency) designated as such by Franchisor from time to time in its Business Judgment. A Special Account will typically (though not necessarily) be a customer whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single COIT Franchisee or the trading area of a single Franchisor-owned or Affiliate-owned business.

zz) "Special Account Services" are services provided to a Special Account at its offices, stores, plants, buildings or other physical facilities at locations not confined to the territory of a single COIT Franchisee or the trading area of a single Franchisor-owned or Affiliate-owned business.

aaa) "Stone Restore Addendum" means an addendum to its franchise agreements that Franchisor uses to authorize COIT Franchisees to provide Stone Restore Services.

bbb) "Stone Restore Services" means maintenance and restoration services for decorative and finish stone products, and includes the cleaning, polishing, sealing, restoring, and honing of marble, granite, limestone, terrazzo, travertine and other natural stone products used for floors, walls, baths, and countertops and any other services that Franchisor may designate from time to time as a Stone Restore Services.

ccc) "Successor Franchise" is a COIT Franchise that Franchisee may be granted under article 2.2, as a successor to the Franchised Business, for an additional ten-year term following the expiration of this agreement.

ddd) "Successor Franchise Fee" is the fee Franchisee must pay Franchisor as consideration for a Successor Franchise under article 2.2, equal to 10% of the then-current Initial Franchise Fee being charged by Franchisor for a COIT Franchise.

eee) "System Standards" means the uniform specifications, standards, operating procedures, and rules prescribed by Franchisor for the development and operation of the Franchised Business and other COIT Franchises, as periodically supplemented, modified or withdrawn by Franchisor, in its Business Judgment, via the Operations Manuals or otherwise communicated to Franchisee in writing. The System Standards constitute provisions of this agreement as if fully reproduced in this agreement.

fff) "Term" means the Initial Term and Interim Term, if any.

ggg) "Terms of Use Agreement" means the agreement, which may be modified from time to time by Franchisor in its Business Judgment that establishes the terms for the use of the Franchisee Intranet.

hhh) "Territory" is the geographical area described in Exhibit A.

iii) "Third-Party Software" means a computer application developed or owned by a Person other than Franchisor.

jjj) "Transfer" means any voluntary or involuntary, direct or indirect assignment, sale, gift, exchange, pledge, hypothecation, or other transfer of this agreement, of Franchisee, of the Franchised Business, of an Ownership Interest, or of any interest in any of the foregoing, or any other event that may create an Ownership Interest or change the legal or beneficial title to any Ownership Interest, including a merger or consolidation of Franchisee, the issuance of additional Ownership Interests in Franchisee, a transfer in a divorce, insolvency, corporate dissolution proceeding, or otherwise by operation of law, and a transfer by will, declaration of or transfer in trust, or under the laws of intestate succession.

kkk) "Transfer Fee" means the $5,000 plus legal expenses fee imposed by article 12.2(b)(14) as a condition to a Transfer by Franchisee.

lll) "Website**"** means an interactive electronic document, series of symbols or otherwise, that is contained in a network of computers and/or other devices liked by communications software, and includes Internet and World Wide Web home pages.

mmm) "Wood Floor Addendum" means an addendum to its franchise agreements that Franchisor uses to authorize COIT Franchisees to provide Wood Floor Services.

nnn) "Wood Floor Services" means refinishing, repairing, and restoring, which includes certain processes for cleaning, refinishing, coating, and maintaining wood surfaces used for residential, commercial, and sports floors (the "Wood Floor Services") under the service marks COIT, COIT FLOORRENEW, and FLOORRENEW.

The signature page follows this paragraph.

SIGNATURE PAGE

The parties are signing this agreement on the dates below, the latest of which is the "Effective Date" of this agreement.

COIT SERVICES, INC.	BUSINESS ORGANIZATION FRANCHISEE:
By:	By:
Title:	Title:
Date:	Date:

INDIVIDUAL FRANCHISEE:	INDIVIDUAL FRANCHISEE:
Signature	*Signature*
Print Name	Print Name
Date:	Date:

EXHIBIT A

MAP OR DESCRIPTION OF TERRITORY

In the event of a discrepancy between the map of the Territory and the written description of the Territory, the written description controls. If any street, road or highway serves as a boundary of the Territory, the actual boundary is the centerline of the street, road, or highway, and only the land and structures within the boundary are included in the Territory.

The parties are signing this exhibit on the dates below.

COIT SERVICES, INC.	BUSINESS ORGANIZATION FRANCHISEE:
By:________________________	By:________________________
Title:________________________	Title:________________________
Date:________________________	Date:________________________
INDIVIDUAL FRANCHISEE:	**INDIVIDUAL FRANCHISEE:**
________________________	________________________
Signature	*Signature*
________________________	________________________
Print Name	Print Name
Date:________________________	Date:________________________

EXHIBIT B

REQUIRED INSURANCE

1. At all times during the term of the franchise agreement, Franchisee shall maintain, in full force and at its sole expense, the following minimum insurance coverages:

(a) Commercial General Liability insurance covering Bodily Injury and Property Damage subject to a minimum limit of $1,000,000 per occurrence and $2,000,000 annual policy aggregate. Coverages to be included are: Personal & Advertising Injury, Products & Completed Operations and Contractual Liability.

COIT Services, Inc. must be named as an Additional Insured on this policy by way of endorsement. A certified copy of this policy must be provided to Franchisor each year.

(b) Commercial Automobile Liability insurance covering all owned, hired and non-owned automobiles, subject to a minimum limit of $1,000,000 combined for bodily injury and property damage per accident.

COIT Services, Inc. must be named as an Additional Insured on this policy by way of endorsement. A certified copy of this policy must be provided to Franchisor each year.

(c) Property insurance providing coverage for Real and Personal Property owned by the Franchisee should be written on a "Causes of Loss-Special Form" basis (see ISO form #CP 1030). Valuation of all property should be based on Replacement Cost subject to a minimum coinsurance clause of 90%.

(d) Bailee's insurance coverage for property in the Franchisee's care, custody and control should be written with a minimum limit of the greater of $100,000 per loss or five times the value of the work in progress.

(e) Worker's Compensation insurance as required by statutory law must be provided along with Employer's Liability coverage with minimum limits of $1,000,000 per accident/$1,000,000 Disease-Policy Limit/$1,000,000 Disease-Each Employee.

2. Optional coverage that applies to Franchisees offering Restoration Services:

(a) Contractor's Pollution Liability must be provided at a limit of not less than $1,000,000 per incident. Coverage must include Mold Remediation if such activity is conducted.

(b) Professional Liability (if Franchisee has a certified instructor on staff) must be provided at a limit of $1,000,000 per incident.

COIT SERVICES, INC. must be named on a primary basis as an Additional Insured on this policy with the policies of additional insured being excess and non contributing. A certified copy of this policy must be provided to Franchisor each year.

3. Insurance Company Requirements:

(a) Each Property/Casualty insurance carrier providing coverage to the Franchisee must meet the following minimum AM Best Company rating: A

(b) Note: Coverage requirements and limits of liability are subject to change due to insurance marketplace conditions and the legal environment.

EXHIBIT B. AUTHORIZATION FOR ELECTRONIC FUND TRANSFER

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

AUTHORIZATION FOR ELECTRONIC FUND TRANSFER

The undersigned depositor (Depositor) hereby authorizes COIT SERVICES, INC. (Payee) to initiate debit entries and/or credit correction entries to the Depositor's checking account designated below, and authorizes the financial institution designated below (Bank) to debit such account pursuant to Payee's instructions.

______________________________ ______________________________

Name of Financial Institution Branch

______________________________ ______________________________

Address of Financial Institution City State ZIP Code

______________________________ ______________________________

Account Number Bank Transit/Routing Number

This authority will remain in effect until Bank receives a written cancellation notification from Depositor in such time as to afford Bank a reasonable opportunity to act on it. Depositor may stop payment of any entry by notifying Bank at least three (3) business days before the entry is charged to Depositor's account. Depositor may have the amount of any erroneous entry immediately credited to Depositor's account by notifying Bank within fifteen (15) calendar days after Bank issues Depositor's account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. Any Electronic Fund Transfer that is rejected for any reason is subject to a $50 fee. These rights are in addition to any rights Depositor may have under federal and state banking or consumer protection laws.

Name of Depositor: ______________________________

By: ______________________________ Date: ______________________________

Title: ______________________________

A voided check must be attached to this form.

COIT®
CLEANING & RESTORATION

EXHIBIT C. PROMISSORY NOTE

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

PROMISSORY NOTE

$_______________ Date:________________________

For value received, the undersigned ("Maker") promises to pay to the order of COIT SERVICES, INC., a California corporation ("Payee"), the principal sum of $______________ plus interest thereon from the above date at the rate of twelve percent (12%) per annum until all amounts due hereunder are paid in full. This note is payable in ______ monthly installments of $__________ each beginning on __________________ and continuing on the first day of each month thereafter until __________________, when all unpaid principal and accrued but unpaid interest is due in full.

All payments due under this note are payable at 897 Hinckley Road, Burlingame, CA 94010, or at such other place as Payee may designate in writing, or by electronic funds transfer, in Payee's discretion. Each payment will be applied as follows: (i) repayment of any amounts advanced by Payee for collection costs; (ii) late fees; (iii) accrued interest; (iv) reduction of the unpaid principal. All payments are to be payable in United States dollars. Any payment received after the fifth day of the month will incur a late fee of $50.00, payable with the late installment. This note may be prepaid in whole or in part at any time without penalty.

Upon the occurrence of any one or more of the following events (each an "Event of Default"), Payee has the right, at its option, to declare the entire unpaid principal of this note and any unpaid interest accrued hereon immediately due and payable upon demand: (i) Maker fails to make any payment due hereunder within THIRTY days after it is due; (ii) Maker fails to perform or breaches any other provision of this note which, by its nature, is susceptible to being cured, and the failure or breach is not cured within THIRTY days after Maker receives notice thereof; (iii) Maker fails to perform or breaches any other provision of this note which, by its nature, is not susceptible to being cured; (iv) Maker fails to perform or breaches any provision of its franchise agreement or any other agreement with Payee, and the failure or breach, by its nature, is not susceptible to being cured or is not cured within the applicable cure period (if any) provided in the relevant agreement; or (v) the insolvency of, appointment of a receiver of any of the property of, assignment for the benefit of creditors by, or commencement of any proceedings under any bankruptcy or insolvency laws by or against, Maker. Notwithstanding any provision of this note to the contrary, upon the occurrence of any Event of Default, the outstanding principal balance of this note thereafter will bear interest at a default rate of eighteen percent (18%) per annum, or the highest rate permitted by law, whichever is lower, until paid in full, whether before or after the entry of any judgment hereon.

Notwithstanding any provision to the contrary in this note, in no event shall the total of (i) the aggregate amount of interest accrued or paid on this note through the date of any calculation of interest, and (ii) the aggregate amount of any other sums accrued or paid that, under applicable law, are deemed to constitute interest hereon or on the loan evidenced by this note through the date of any such calculation of interest, ever exceed the maximum contract rate of interest that can be lawfully charged under the law applicable to this note on the principal balance of this note from time to time remaining unpaid. It is the intention of Maker and Payee in connection with the making, delivery, and acceptance of this note to contract in strict compliance with the usury laws of the United States of America, the State of California, and the state where Maker where has its principal place of business. In furtherance of that intention, none of the terms of this note shall ever create or be construed to create a contract to pay interest at a rate in excess of the maximum contract rate of interest permitted to be charged on this note under applicable law. Maker, and any endorsers, guarantors, sureties, or other persons now or hereafter becoming liable for the payment of this note, shall never be liable for interest in excess of the maximum contract rate of interest that may be lawfully charged under the law applicable to this note; and, if Payee ever receives or collects any such excess interest, the amount that would be excessive interest shall be applied to reduce the principal amount of this note until the principal of this note and all lawful interest are paid in full, and any remaining excess shall be paid to the Maker or any endorsers, guarantors, sureties, or other persons, as the case may be. The provisions of this paragraph supersede any inconsistent or conflicting provisions of this note.

Maker shall pay all costs, including reasonable attorneys' fees, incurred by Payee to collect, enforce the terms of, or otherwise resolve a dispute under this note. Maker shall pay all post-judgment attorneys' fees incurred by Payee in enforcing any judgment on an action brought to resolve a dispute under this note. This right to post-judgment attorneys' fees is separate and distinct from the right to recover attorneys' fees in the underlying action, and is to survive the judgment and is not to be deemed merged into any judgment.

Maker hereby waives presentment for payment, demand, protest, and/or further notice of dishonor of any kind in connection with the delivery, acceptance, performance, and enforcement of this note, and consents and assents to extensions of time of payment or forbearance or other indulgences without notice. No delay or omission of Payee in exercising, or failure of Payee to exercise, any right under this note will operate as a waiver of the right or of any other right under this note. A waiver on any one occasion is not to be construed as a bar to or a waiver of the same or any similar right on any future occasion. The laws of the jurisdiction where Maker has its principal place of business govern all aspects of this note. Jurisdiction and venue in any action to enforce this note are solely in a state or federal court within the State of California in the judicial district where Payee has its principal place of business, presently the San Mateo County Superior Court or the United States District Court, Northern District of California. Maker hereby submits to the exercise of personal jurisdiction by any such court and waives any defense of lack of personal jurisdiction or improper venue. As used in this note, "Payee" includes the original payee of this note, a holder in due course, or any endorsee or assignee of this note who is in possession of it.

This note is secured by a personal guaranty executed by ________________________.

FRANCHISEE:

____
[*Print Name of Franchisee*]

By:__________________________________

Title:________________________________

EXHIBIT D. NONDISCLOSURE AND NONCOMPETITION AGREEMENT

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This agreement is between ___________________ ("the Company") and _________________ ("Covenantor"), an individual resident of the state of __________.

A. Pursuant to a franchise agreement dated ________________ (the "Franchise Agreement"), COIT Services, Inc. ("Franchisor") licensed the Company to operate a COIT Franchise.

B. The Franchise operated by the Company is a business that does or may provide drapery, carpet, upholstery, area rug, tile, grout, and air duct cleaning, fabric treatments, Disaster Restoration Services, Stone Restore Services, Wood Floor Services and other services and products using Franchisor's unique franchise system and COIT® trademarks in the geographic area (the "Territory") described on the attached Exhibit A.

C. Covenantor holds a position as a shareholder, officer, director, partner, member, manager, employee, or trustee of the Company.

D. Franchisor has expended substantial amounts of time and money in developing the Marks (as defined in section 2 below) and Franchisor's distinctive franchise system (the "System", including, without limitation, distinctive standards, methods, procedures, and specifications developed for the promotion and provision of services, distinctive advertising, pricing techniques, specially-designed), business forms for efficient business operation, operating manuals, and training courses, all of which Covenantor acknowledges to be confidential and proprietary information.

E. In connection with the operation of the Franchise, Covenantor will have access to such confidential and proprietary information.

F. The Franchise Agreement requires that all shareholders, officers, directors, partners, members, managers, employees, and trustees of the Company must execute this agreement.

THEREFORE Covenantor hereby agrees as follows:

1. Confidential Information. In this agreement, "Confidential Information" means trade secrets and any information or matter that is competitively sensitive and not generally known by the public (whether or not in written or tangible form and regardless of the media (if any) on which stored) relating to the System, including, without limitation, know-how, knowledge of and experience in operating a Franchise, methods, techniques, formats, specifications, procedures, systems, policies and standards, business operating systems and techniques, record keeping and reporting methods, accounting systems, sales and marketing methods and training techniques, specifications for signs, displays, business forms and stationery to be used by franchisees, designs, drawings and specifications for the Franchise premises, Franchisor's operating manuals (which the Company has received on loan from Franchisor), ideas, research and development, franchisee and supplier lists, suggested pricing and cost information, software developed or introduced by Franchisor or its affiliates as part of the System, and any other information or material identified by Franchisor or the Company as confidential. Covenantor acknowledges the proprietary and confidential nature of all Confidential Information. Covenantor shall use Confidential Information solely for the Company's benefit and may not at any time disclose, communicate, divulge, or use any Confidential Information to or for the benefit of any other person.

2. Marks. Covenantor acknowledges Franchisor's right, title, and interest in and to the COIT word and design trademarks and certain other proprietary trademarks, designs, logos,

commercial symbols, and trade names used by Franchisor or that Franchisor in the future may use or provide for use by the Company, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System (the "Marks"). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Accordingly, Covenantor shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof at any time.

3. Nonsolicitation. During the Initial Term and Interim Term, if any, and for a period of TWO YEARS after any Transfer or the termination or expiration of the Franchise Agreement for any reason, Covenantor, either for himself or through, on behalf of, or in conjunction with any person (including the spouse or children of Covenantor), shall not divert or attempt to divert any business or customer of the Company or of any other franchisee of Franchisor to Covenantor or to any other person who is not then a franchisee of Franchisor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that may injure or prejudice the goodwill associated with the Marks and the System

4. Noncompetition.

(a) During the Restrictive Period (as defined in section 4(b)), Covenantor, either for himself or through, on behalf of, or in conjunction with any person (including the spouse or children of Covenantor), shall not develop, operate, engage in, or acquire or maintain any interest as an owner, partner, shareholder, member, investor, director, officer, employee, manager, consultant, independent contractor, representative or agent in, any competitive business within the Restricted Territory (as defined in section 4(c)). This restriction does not preclude any person from owning an interest of one percent or less in a publicly-traded company engaged in a competitive business.

(b) For purposes of section 4(a), "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of TWO YEARS after any Transfer or the termination or expiration of the Franchise Agreement for any reason. However, if a court of competent jurisdiction determines that the two-year Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of ONE YEAR after any Transfer or the termination or expiration of the Franchise Agreement for any reason. If a court of competent jurisdiction determines that the one-year Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of NINE MONTHS after any Transfer or the termination or expiration of the Franchise Agreement for any reason. If a court of competent jurisdiction determines that the nine-month Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any, and a period of SIX MONTHS after any Transfer or the termination or expiration of the Franchise Agreement for any reason. If a court of competent jurisdiction determines that the six-month Restrictive Period is unenforceable, then "Restrictive Period" means the Initial Term and Interim Term, if any. The Restrictive Period will be stayed during any violation or breach of the terms of section 4(a).

(c) For purposes of section 4(a), "Restricted Territory" means an area defined as follows: the Territory and any location within SIXTY MILES of any point in the Territory, except that there will be no geographical limitation if the competitive business uses a trade name, service mark, trademark, logo, concept, format or operating system that is similar to or suggestive of the Operating System or the Marks. If a court of competent jurisdiction determines that the Restricted Territory is unenforceable due to its breadth, then "Restricted Territory" means the

Territory, except that there will be no geographical limitation if the competitive business uses a trade name, service mark, trademark, logo, concept, format or operating system that is similar to or suggestive of the Operating System or the Marks.

5. Remedies. Covenantor acknowledges that his or her violation of any of the covenants in this agreement would result in irreparable injury to both Franchisor and the Company, for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor or the Company in obtaining, an injunction enjoining any conduct by Covenantor prohibited by this agreement. This remedy is in addition to any other remedies that may be available to Franchisor or the Company.

6. Modification. The terms of this agreement may be modified or amended only by a written instrument signed by all parties.

7. Delay in Exercising Rights Not a Waiver. No failure or delay on the part of any party in exercising any right, power, or privilege under this agreement will operate as a waiver thereof, nor will a single or partial exercise of any right, power, or privilege under this agreement by any party preclude any other or further exercise thereof or the exercise of any other right, power, or privilege by that party.

8. Severability. Each of the covenants in this agreement is to be construed as independent of any other covenant or provision of this agreement. If any provision of this agreement is held to be illegal, invalid, or unenforceable, the provision will be deemed to be modified to the extent necessary to permit its enforcement to the maximum extent permitted by applicable law, and Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of the provision that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this agreement. The remainder of this agreement and all other provisions hereof will not be affected thereby.

9. Effect. This agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, successors, and assigns.

10. Governing Law. The laws of the state in which the Company's principal office is located govern all aspects of this agreement.

11. Jurisdiction and Venue. Any action based upon this agreement brought by any party against any other party may be brought in a state or federal court in the state of San Francisco, California, and each party hereby consents to the exercise of personal jurisdiction by any such court and waives all objections or defenses of lack of personal jurisdiction or improper venue for the purpose of carrying out this provision.

12. Third-Party Beneficiary. Each of the parties acknowledges and intends that the covenants in this agreement directly benefit Franchisor, and Franchisor is a third-party beneficiary of this agreement, entitled to enforce the provisions of this agreement in its own name without the Company as a party, and further entitled to all remedies provided in section 5 above.

13. Definitions.

(a) The word "person," whether or not capitalized, includes corporations, limited liability companies, partnerships of any kind, joint ventures, unincorporated associations, estates, trusts, charitable organizations, governments, governmental bodies and agencies, commissions, and all other entities and organizations, as well as individuals.

(b) A "competitive business" is any business that offers window covering, carpet, upholstery, air duct or area rug cleaning services, fabric treatment, Restoration Services, Stone Restore Services, or any other service or product that is part of the System or that is competitive with the services or products offered under the System, or any business in which Confidential Information could be used to the disadvantage of the Company or Franchisor, its affiliates or other franchisees, or any business that grants franchises or licenses to others to operate a competitive business.

(c) "Disaster Restoration Services" means the services required to return the customer's property back to its pre-loss condition after damage by fire, smoke, water, sewage or other causes, which services may include among others as may be authorized by Franchisor, cleaning, drying, deodorizing, restoration and repair, performed at the customer's premises or at off-site facilities, boxing and transport of damaged furniture and contents for off-site processing and transport of contents back to the premises.

(d) "Stone Restore Services" means maintenance and restoration services for decorative and finish stone products, and includes the cleaning, polishing, sealing, restoring, and honing of marble, granite, limestone, terrazzo, travertine and other natural stone products used for floors, walls, baths, and countertops, and any other services that Franchisor may designate from time to time as Stone Restore Services.

(e) "Wood Floor Services" means refinishing, repairing, and restoring, which includes certain processes for cleaning, refinishing, coating, and maintaining wood surfaces used for residential, commercial, and sports floors (the "Wood Floor Services") under the service marks COIT, COIT FLOORRENEW, and FLOORRENEW.

(f) Defined terms that are used but not defined in this agreement are used as defined in the Franchise Agreement.

The parties are signing this agreement on the dates below.

	COMPANY:
Date:______________________________	By:________________________________
	Its:______________________________
Date:______________________________	___________________________________ COVENANTOR

EXHIBIT E. CONTINUING GUARANTY AND ASSUMPTION OF OBLIGATIONS

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

CONTINUING GUARANTY AND ASSUMPTION OF OBLIGATIONS
Under COIT Franchise Agreement

1. In consideration of and as an inducement for the execution by COIT SERVICES, INC., a California corporation ("Franchisor"), of the Franchise Agreement with ______________________ (the "Business Entity Franchisee"), each of the undersigned Personal Guarantors hereby personally, unconditionally, jointly and severally:

(a) guarantees to Franchisor and the Franchisor-Related Persons and each of their successors and assigns, for the term of each of the Franchise Documents, and for any renewal/successor term or extension, and thereafter as provided in the Franchise Documents, that the Business Entity Franchisee will punctually pay and perform, each and every undertaking, agreement and covenant set forth in each of the Franchise Documents, as currently set forth and as amended or otherwise changed in the future, including any successor agreement or instrument;

(b) agrees to be personally bound by, and personally liable for, the breach of, each and every provision in each of the Franchise Documents (including all confidentiality, non-competition, indemnity, and post-termination provisions) as currently set forth and as amended or otherwise changed in the future, including any successor agreement or instrument; and

(c) agrees to be personally bound by, and personally liable for, each past, current and future obligation of the Business Entity Franchisee to Franchisor and the Franchisor-Related Persons and each of their successors and assigns.

2. Each of the Personal Guarantors intends that the guarantees and other obligations in this Guaranty be unqualifiedly general and without limitation in scope, nature and effect. Franchisor and the Franchisor-Related Persons, and each of their successors and assigns, need not bring suit first against any one or all of the Personal Guarantors in order to enforce this Guaranty, and may enforce this Guaranty against any or all of the Personal Guarantors as they choose in their sole and absolute discretion.

3. Each of the Personal Guarantors waives: presentment, demand, notice of demand, dishonor, protest, nonpayment, default and all other notices (including, but not limited to, acceptance and notice of acceptance, notice of any contracts or commitments, notice of the creation or existence of any liabilities under any of the Franchise Documents or otherwise and of the amounts, terms or otherwise thereof, notice of any defaults, disputes or controversies between Franchisor and the Business Entity Franchisee or otherwise, and any settlement, compromise or adjustment thereof, notices to or consents of Personal Guarantors as may be required by law if Franchisor and the Business Entity Franchisee modify any of the Franchise Documents or enter into substitute agreements or instruments); any right the Personal Guarantor may have to require that an action be brought against Franchisor, Business Entity Franchisee or any other person as a condition of liability; and any and all other notices and legal or equitable defenses to which he or she may be entitled, including, but not limited to, defenses arising by reason of California Civil Code sections 2806 through 2855 or any applicable statute of similar effect of another state.

4. Each of the Personal Guarantors consents and agrees that:

(a) his or her direct and immediate liability under this Guaranty is joint and several;

(b) he or she will render any payment or performance required under the Franchise Documents on demand if the Business Entity Franchisee fails or refuses to do so punctually;

(c) his or her liability under this Guaranty is not contingent or conditioned on pursuit by Franchisor or otherwise of any remedies against the Business Entity Franchisee or any other person;

(d) his or her liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor or any other person may from time to time grant to the Business Entity Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of each of the Franchise Documents and any renewal/successor term or extension;

(e) his or her liability, whether under this Guaranty or otherwise, will not be diminished or otherwise affected by the termination, rescission, expiration, renewal, award of a successor franchise, modification or otherwise of the Franchise Agreement or any of the other Franchise Documents;

(f) his or her liability will be continuing and irrevocable notwithstanding any transfer of the Franchise Agreement or of an interest in the Franchise, the assets used therein, or in the Business Entity Franchisee, unless Franchisor expressly releases or cancels, in writing, the obligations hereunder, and Franchisor is not required to seek or obtain the consent of any of the Personal Guarantors to any transfer or to provide notice of any transfer to any of the Personal Guarantors;

(g) terms not defined in this Guaranty will have the meanings assigned in the Franchise Agreement; and

(h) the provisions of section 16 of the Franchise Agreement are incorporated in and will apply to this Guaranty as if fully set forth herein and will apply to any dispute involving Franchisor, the Franchisor-Related Persons, any advertising or similar fund, or any of their successors and assigns, on one side, and any of the Personal Guarantors on the other side.

5. In connection with this Guaranty and Franchisor (a) not requiring that the Franchise be initially awarded in the name of one or more of the Personal Guarantors and (b) not requiring the payment of a full transfer fee in connection with any related transfer from the Personal Guarantors to the Business Entity Franchisee, each of the Personal Guarantors hereby grants a General Release (as defined in the Franchise Agreement) of any and all claims, liabilities and obligations, of any nature whatsoever, however arising, known or unknown, against Franchisor, the Franchisor-Related Persons, any branding, marketing, advertising or similar fund, and each of their successors and assigns.

6. In this Guaranty:

(a) "Franchise Agreement" means a franchise agreement executed simultaneously with this Guaranty between Franchisor and the Business Entity Franchisee.

(b) "Franchise Documents" means the Franchise Agreement and, if the Business Entity Franchisee executed one simultaneously with this Guaranty, the Note.

(c) "Franchisor-Related Persons" means Franchisor and each and all of the following, whether past, current, or future: persons acting through, in concert with Franchisor, or as affiliates of Franchisor or of any of the foregoing; partners, members, shareholders, officers, directors, agents, attorneys, accountants, and employees of Franchisor or any of the foregoing; and predecessors, successors, or assigns of Franchisor or any of the foregoing.

(d) "Note" means the promissory note executed simultaneously with this Guaranty by the Business Entity Franchisee, as the maker, in favor of Franchisor, as the payee.

(e) "Person", whether or not capitalized, includes individuals, corporations, limited liability companies, partnerships of any kind, unincorporated associations, joint ventures, governments, governmental bodies or agencies, commissions, estates, trusts, charitable organizations, and all other entities and organizations of any kind.

The undersigned are signing this instrument on the dates below.

1. PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:________________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:_____________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:________________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:_____________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

2. PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:________________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:___________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:________________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:___________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

3. PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:______________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:____________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

Date:______________________

HOME ADDRESS
____
____
____
TELEPHONE NO.:____________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE:___%

4. BUSINESS ENTITY FRANCHISEE:

____
Print Name

By:____________________________

Its:___________________________

Date:______________________

EXHIBIT F. TELEPHONE INTERNET POWER OF ATTORNEY

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

TELEPHONE NUMBER AND INTERNET
IRREVOCABLE POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That (“Franchisee”) does hereby irrevocably constitute and appoint COIT SERVICES, INC., a California corporation (“Franchisor”), the true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, may be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee’s right, title and interest in and to:

1. any and all telephone numbers of Franchisee’s COIT franchise and all related Yellow Pages, White Pages and other business listings, including but not limited to, the execution and delivery on Franchisee’s behalf of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services for Franchisee; and

2. any and all web sites, web pages, listings, banners, URLs, advertisements or any other services and links related to Franchisee’s COIT franchise or use of Franchisor’s trademarks, service marks or other logos, on or with the Internet, World Wide Web, Internet service providers, electronic mail services, communication providers, search engines or other similar services, including but not limited to, the authority to transfer, modify or cancel any such service, listing, or link;

hereby granting unto Franchisor full power and authority to execute and deliver on Franchisee’s behalf any and all documentation required by any telephone service provider, Internet service provider, electronic mail service, communication provider, search engine, regulatory agency or other provider of services, or any other party, and to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor will be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate is in full force and effect, and Franchisee will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor will be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two years after the expiration or termination of the Franchise Agreement dated evenly herewith between Franchisor and Franchisee. Such termination, however, will not affect the validity of any act or deed of Franchisor before such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the state indicated in the notarial jurat below, and the laws of that state govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

FRANCHISEE:

____
[Print Name of Franchisee]

By:______________________________________
Its:_____________________________________

EXHIBIT G. COIT SOFTWARE LICENSE & SUPPORT AGREEMENT

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT SOFTWARE LICENSE & SUPPORT AGREEMENT

This agreement is between COIT SERVICES, INC. ("Franchisor") and ______________ ("Franchisee").

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Franchise Agreement dated ________ for the operation of a COIT Franchise in a prescribed territory (the "Territory") described on Exhibit A to the Franchise Agreement.

B. Franchisor has developed a proprietary computer application called the "COIT Order Entry System," or "COES," for use in the operation of a COIT Franchise.

C. The Franchise Agreement contemplates the license of COES to Franchisee to be used by Franchisee in the operation of the Franchised Business.

THEREFORE the parties agree as follows:

1. GRANT OF LICENSE.

(a) Franchisor hereby grants Franchisee a personal, nonexclusive, nontransferable license for COES, to use COES and any associated or related documentation or other similar or printed or machine-readable matter and any such modifications, upgrades or additions that may be provided by Franchisor (collectively, the "Software") in conjunction with the hardware approved by Franchisor (the "Designated System") upon the terms in this agreement.

(b) Franchisee acknowledges and agrees that the license granted by this agreement extends solely to the use, by Franchisee or its authorized employees, agents and representatives, of the Software on the Designated System.

(c) The use of the Software for any purpose other than in connection with the operation of the Franchised Business in compliance with the Franchise Agreement, as it may be amended, is strictly prohibited without Franchisor's prior written consent.

(d) Franchisee shall not use the Software except as specifically permitted in this agreement.

(e) Franchisee shall not export the Software in any form without Franchisor's prior written consent.

(f) Franchisee shall not use the software outside the Territory.

(g) Franchisee must upgrade to the most recent version of COES by the end-of-life date provided by Franchisor.

(h) Franchisee must use the COES software in the operation of their COIT franchise business. Failure to use the COES software may result in being deemed not in Good Standing.

2. TERM OF LICENSE.

(a) The term of this agreement is ONE YEAR beginning on the Effective Date noted below. Unless terminated in accordance with Section 8 or modified by Franchisor in accordance with this paragraph, this agreement will renew automatically for an additional ONE-YEAR term upon the expiration of the initial term and each renewal term for so long as the Franchise Agreement remains in effect, and will terminate automatically with the termination or expiration of the Franchise Agreement without any further action by either party. Franchisor may unilaterally modify this agreement by providing Franchisee with written notification of the modification at least THIRTY DAYS in advance of the Effective Change Date but not more often than once a year.

(b) Upon the termination or expiration of this agreement, Franchisee shall immediately return the Software and any backup copies thereof to Franchisor.

(c) If Franchisee transfers possession of a copy of the Software to any Person without the prior written consent of Franchisor, the license granted by this agreement will immediately and automatically terminate.

(d) In the event of a Transfer in compliance with Article 14 of the Franchise Agreement, Franchisee will have the right to assign this agreement to the transferee, if, and only if, the transferee:

> (1) assumes this agreement, or, at Franchisor's option, signs the then-current form of Software License Agreement; and
>
> (2) Franchisor is furnished with a signed copy of the assignment, including the assumption of Franchisee's obligations by the transferee.

In the event of a Transfer, Franchisee shall deliver to the transferee the original versions of the Software provided by Franchisor and shall destroy all of its backup copies of all Software. The foregoing is not to be construed or interpreted as granting Franchisee the right to transfer the Franchise in any other way except as specifically provided in the Franchise Agreement.

3. SOFTWARE USER FEE.

(a) Franchisee shall pay Franchisor reasonable periodic fees for Franchisee's use of the Software. The current fee is a base fee $200.00[1] per month plus a per user fee of $60 per user beginning with the first users. Franchisor has the right to change the user fees no more than once every twelve months.

(b) Franchisee shall pay or reimburse Franchisor, as a separate charge, for all sales, excise and other federal, state or local taxes (other than personal property taxes imposed on Franchisor and taxes based upon Franchisor's net income) levied or imposed upon the user fee, the Software, or the sale thereof to Franchisee.

(c) Franchisee shall pay for all third-party licenses required to run the Software. The current costs of the third-party licenses are listed on the COIT Order Entry System Price List. Third-party license fees must be prepaid before the software is installed on Franchisee's Designated System.

(d) Franchisee shall pay for all extraordinary support on an hourly basis. The current fee for extraordinary support is $250 per hour. Notice must be given to the Franchisee before the support is provided. Extraordinary support is defined as assistance given to the Franchisee by the Franchisor to solve problems not caused by the Franchisor's software. Examples of this include but are not limited to:

a. Reinstallation of the Software due to hardware upgrade and/or replacement

b. Setup and Configuration of new equipment to work on the Franchisee's network Working with third-party vendors on network design and/or implementation

4. SETUP, TRAINING AND MAINTENANCE.

(a) Franchisor shall assist Franchisee with the setup of the Software and any upgrades, modifications, or additions to the Software. Setup assistance is normally provided via telephone support. However, if travel to Franchisee's location is required to complete installation, Franchisee may be required to pay travel and lodging expenses for Franchisor's personnel.

(b) Franchisor shall train Franchisee or its Principals, officers, managers, or employees to operate the Software as part of the COIT Performance Team Orientation described in Section 4.A of the Franchise Agreement. Franchisor shall also train, without additional charge (other than the fee charged for the Enhancement under Section 4(c) below), Franchisee or its Principals, officers, managers, or employees to operate Enhancements. In connection with Orientation and Enhancement Software training, Franchisor shall provide and pay for the instructors, training facilities, and training materials, and Franchisee shall be responsible for all other expenses incurred by its trainees, including, without limitation, the cost of travel, room, board, and wages. Franchisor shall also provide refresher training and training for additional or replacement personnel of Franchisee, for which Franchisor has the right to assess a reasonable hourly or daily charge. Franchisor will designate the time, place and duration of all Software training.

(c) Franchisee shall accept and use all Enhancements required by Franchisor, and all Enhancements must be installed by Franchisor or a third party approved by Franchisor. Franchisor is not obligated to provide any Enhancement. Franchisee shall pay any reasonable fees charged by Franchisor for providing any Enhancement.

5. ALTERATIONS.

(a) No alterations, modifications, enhancements or translations of any kind may be made to the Software, except as expressly directed or approved by Franchisor.

(b) Franchisor's copyright notices, trademarks and any other proprietary legends or logos appearing on any element or portion of the Software, and all updates and new releases thereof, which are supplied to Franchisee must be retained without alteration by Franchisee and must also appear on any backup copies of the object code of the Software reproduced by Franchisee.

6. CONFIDENTIALITY OF SOFTWARE.

(a) The Software is proprietary to Franchisor. Both during the term of this agreement and thereafter, title and copyright, patent, trade secret and other intellectual property and proprietary rights in the Software (including the programs, routines, subroutines, concepts, formulas, ideas, specifications, applications and know-how, regardless of the physical object, article, media or documentation in or on which they are imbedded) are and will remain the property of Franchisor. Franchisee acknowledges that the Software is deemed a trade secret of Franchisor, whether or not copyrights to it are owned or registered by Franchisor.

(b) Franchisee shall not sell, transfer, disclose or otherwise make the Software available to anyone other than its authorized employees, agents and representatives. Franchisee shall keep the Software confidential and protect it from unauthorized disclosure. In addition, Franchisee shall not attempt to reverse engineer, disassemble, reverse translate, or in any manner decode the object code of the Software in order to derive the source code form.

(c) Franchisee shall take such action with respect to its employees as necessary to ensure compliance with this Section 6.

7. LIMITED WARRANTY.

Except as otherwise specified herein, the Software is provided "as is", without warranty of any kind or nature. Any media on which the object code of the Software is delivered that found to be defective in materials and/or workmanship under normal use within ninety days after Franchisee's original receipt thereof may be returned by Franchisee to Franchisor in exchange for a replacement.

5. **THE FOREGOING WARRANTY AND REMEDY CONSTITUTE THE SOLE LIABILITY OF FRANCHISOR AND FRANCHISEE'S SOLE REMEDY FOR BREACH OF WARRANTY AND ARE IN LIEU OF ALL OTHER WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. FRANCHISOR AND ITS SUPPLIERS ARE NOT LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY NATURE WHATSOEVER FOR ANY BREACH OF THIS WARRANTY OR FOR ANY ACTION ARISING OUT OF FRANCHISEE'S FAILURE TO PERFORM FRANCHISEE'S RESPONSIBILITIES UNDER THIS AGREEMENT.**

Franchisor makes no warranty or representation that the functions contained in the Software will meet Franchisee's requirements or will operate in the combination selected by Franchisee or that the operation of the Software will be uninterrupted or error free.

8. DEFAULT.

(a) Any of the following will constitute a default under this agreement:

(1) The failure by either party to perform any term, condition, or covenant of this agreement, which failure has not been corrected within thirty days after written notice of the failure is given by the other party;

(2) Franchisee:

(i) is or becomes insolvent, or a party to any bankruptcy or receivership proceeding or any similar action affecting the financial condition or property of Franchisee and such proceeding has not been dissolved within thirty days;

(ii) makes a general assignment for the benefit of creditors;

(iii) causes or permits liens to attach or purport to attach to the Software;

(iv) ceases doing business in the normal course; or

(v) has committed a default under the Franchise Agreement which default has not been cured, if curable, in the period specified in the Franchise Agreement or in the notice of default, whichever is longer; or

(3) Franchisor ceases doing business in the normal course without transferring this agreement to a third party.

(d) If a default occurs, the party not in default will have the right to and may elect any or all of the following remedies, which will be cumulative and not exclusive:

(1) declare this agreement immediately terminated;

(2) if the default arises from Franchisee's failure to observe the confidentiality obligations imposed by this agreement, then the parties expressly agree that Franchisor's remedies at law would be inadequate and Franchisor will have the right to obtain such injunctions and/or affirmative relief as will adequately protect its interests; and

(3) pursue each and every other remedy available at law and equity.

9. INDEMNITY.

(a) Franchisee shall indemnify and hold Franchisor harmless from any and all claims, costs, expenses, damages and liabilities for damage or injury to persons or property arising out of or related to any use, possession or operation of the Software or the Designated System that is not authorized by or is in violation of this agreement. This indemnity will survive the termination or expiration of this agreement.

(b) Franchisor is not obligated to defend or indemnify Franchisee in any infringement proceeding brought against Franchisee by any third party in connection with the Software. If Franchisee's use of the Software is enjoined or prohibited as a result of an infringement claim, Franchisor shall either:
(1) procure for Franchisee the right to continue using the Software; or (2) replace the Software or modify it so that it does not infringe the third party's rights. **THE FOREGOING IS FRANCHISEE'S EXCLUSIVE REMEDY IN THE EVENT FRANCHISEE'S USE OF THE SOFTWARE IS PROHIBITED OR ENJOINED BECAUSE OF A THIRD PARTY'S INFRINGEMENT CLAIMS.**

10. LIMITATION OF LIABILITY.

In no event will Franchisor be liable for any damages caused by Franchisee's failure to perform Franchisee's responsibilities or for any indirect, special or consequential damages (including lost profits, lost savings, or interruption of business), or for any claim by Franchisee or any other party for damages arising from or in connection with the delivery, use or performance of the Software (even if Franchisor has been advised of the possibility of such loss or damages), or for any claim against Franchisee by any other party.

11. FORCE MAJEURE.

Neither party is responsible for delays or failures in performance under this agreement resulting from acts or occurrences beyond the control of the party that cannot be overcome by due diligence, and such performance will be suspended during the continuance of such act or occurrence.

12. DEFINITIONS.

Certain terms used in this agreement are defined below and will be capitalized throughout the agreement. Capitalized words that are not defined below are defined in the section where they first appear. Capitalized words used but not defined in this agreement are used as defined in the Franchise Agreement.

(a) "Authorized Products and Services" are those products and services that Franchisee is or may be permitted to offer and provide (currently Core Services, Restoration Services, and Stone Restore Services) under the Franchise Agreement or an addendum thereto. Authorized Products and Services are more specifically described in the COIT operations manuals. Franchisor has the right to add or remove products and services from the list of Authorized Products and Services.

(b) "COIT Franchise" is a business operated under a license granted by Franchisor that offers only Authorized Products and Services using Franchisor's trademarks and distinctive business format.

(c) "COIT Franchisee" is a person who owns and operates a COIT Franchise.

(d) "COIT Network" means the network of COIT Franchises established by Franchisor.

(e) "Core Services" means cleaning services for draperies, upholstery, carpets, area rugs, air ducts, tile and grout, and any other services that Franchisor may designate as Core Services.

(f) "Enhancement" means a modification, upgrade, update, enhancement, or replacement of all or any part of the Software or the Designated Hardware.

(g) "Franchised Business" means the COIT Franchise that Franchisee is licensed to operate under the Franchise Agreement.

(h) "Operating System" means the distinctive business methods and features of the COIT Network, which have been developed by Franchisor for the operation of COIT Franchises, including Franchisor's trademarks and distinctive business format, which includes distinctive standards, methods, procedures, and specifications developed by Franchisor for the promotion and provision of services, distinctive advertising, specially-designed business forms for efficient business operation, Operations Manuals, and training courses, all of which may be supplemented, modified, or withdrawn by Franchisor from time to time.

(i) "Person," whether or not capitalized, includes a corporation, limited liability company, partnership of any kind, joint venture, unincorporated association, estate, trust, charitable organization, government, governmental body and agency, commission, and any other entity and organization, as well as an individual.

(j) "Restoration Services" means services required to return a customer's real or personal property to its pre-loss condition after damage by fire, smoke, water, sewage or other causes, and currently includes cleaning, drying, deodorizing, restoration and repair, performed at the customer's premises or at off-site facilities, boxing and transport of damaged furniture and contents for off-site processing and transport of contents back to the premises, and any other services that Franchisor may designate as Restoration Services.

(k) "Stone Restore Services" means maintenance and restoration services for interior decorative and finish stone products, and includes the cleaning, polishing, sealing, restoring, and honing of marble, granite, limestone, terrazzo, and other natural stone products used for floors, walls, baths, and countertops, and any other services that Franchisor may designate as Stone Restore Services.

(l) "Transfer" means any voluntary or involuntary, direct or indirect, assignment, sale, gift, exchange, pledge, hypothecation, or other transfer of the Franchise Agreement, of Franchisee, of the Franchised Business, of an ownership interest in Franchisee or the Franchised Business, or of any interest in any of the foregoing, or any other event that may create an ownership interest in Franchisee or the Franchised Business or change the legal or beneficial title to any such ownership interest, including a merger or consolidation of Franchisee, the issuance of additional ownership interests in Franchisee, a transfer in a divorce, insolvency, corporate dissolution proceeding, or otherwise by operation of law, and a transfer by will, declaration of or transfer in trust, or under the laws of intestate succession.

13. GENERAL PROVISIONS.

(a) Except for the Franchise Agreement, this agreement constitutes the entire agreement between the parties hereto with respect to the Software, and supersedes any and all previous negotiations, proposals, commitments, writings, advertisements, publications and understandings of any nature whatsoever. By execution hereof, the signer hereby certifies that he/she has read this agreement and is duly authorized to execute it on behalf of Franchisee.

(b) Section headings are inserted for convenience only and shall not be used in any way to construe the terms of this agreement.

(c) Except as permitted by Sections 2(a) and 3(a), This agreement may not be modified or amended, nor any rights of either party waived, except by a written instrument signed by both parties.

(d) Any notice required by this agreement must be given in writing, sent by certified U.S. Mail, postage prepaid, return receipt requested, or by personal delivery service, to the address for the recipient stated in the Franchise Agreement, or to such other address as the parties may from time to time specify by written notice. Notices will be considered given and received as of the date evidenced by the applicable U.S. Postal Service return receipt card or delivery service receipt.

(e) In the event that one or more of the provisions contained herein shall be declared invalid, illegal or unenforceable in any respect under any applicable statute or rule of law, then such provisions shall be considered inoperative to the extent of such invalidity, illegality or unenforceability, and the remainder of this agreement shall continue in full force and effect.

(f) The laws of the State of California governs all aspects of this agreement. All proceedings arising out of or relating to this agreement by or between Franchisor or other related parties and Franchisee or its owners or other related parties must be brought and conducted only in a court of competent subject matter jurisdiction located in San Francisco, California, and Franchisee hereby submits to the exclusive venue and jurisdiction of the courts located in San Francisco, California.

By the execution of this agreement, the individual signing on behalf of Franchisee acknowledges that he or she has read this agreement, understands it, and agrees, on Franchisee's behalf, to be bound by its terms and conditions.

EFFECTIVE DATE: ______________________________

FRANCHISOR: COIT SERVICES, INC.	FRANCHISEE:
By:______________________________ Signature	By:______________________________ Signature
Title:______________________________	Title:______________________________
Date:______________________________	Date:______________________________

COIT®
CLEANING & RESTORATION

EXHIBIT H. TERMS OF USE AGREEMENT FOR COIT INTRANET

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

TERMS OF USE AGREEMENT FOR THE COIT INTRANET SYSTEM

This agreement is between COIT SERVICES, INC., a California corporation ("us," "we," or "COIT"), and ________________________________ ("you" or "Franchisee").

1. GENERAL TERMS

(a) We and you are parties to a COIT Services, Inc. Franchise Agreement dated ____________ for the operation of a COIT Franchise (the "Franchised Business").

(b) We have developed an intranet system (the "COIT Intranet") as a way for COIT Franchisees who accept the terms of this agreement and are in Good Standing to communicate with us and with other COIT Franchisees, access and print portions of the COIT Operating Manuals, advertising materials, supplements, and updates to System Standards, archived library files, and for such other purposes as we may allow or require from time to time.

(c) The COIT Intranet will be administered by a "Systems Administrator." Currently Brent Jenkins is the Systems Administrator. We have the right to change the Systems Administrator in our Business Judgment.

(d) You must accept this agreement in order to use the COIT Intranet. Upon your acceptance, we will issue a User ID and two passwords to you. By logging onto the COIT Intranet you confirm that you are eligible to access the COIT Intranet and that agree to comply with and be bound by this agreement.

(e) The definition of capitalized terms used but not defined in this agreement are defined in the Franchise Agreement.

2. CONSIDERATION

(a) In consideration for the Services provided, the Franchisee agrees to compensate COIT in accordance with the Fee Schedule as set out in Schedule "A".

(b) COIT shall invoice the Franchisee for the Services on a monthly basis and in accordance with Schedule "A". Any payment which is not made within thirty (30) days after the date of the invoice shall be deemed to be overdue. Interest on overdue accounts shall accrue at one and half percent (1.5%) percent per month or eighteen (18%) percent per annum.

3. ACCESS REQUIREMENTS

It is your responsibility to maintain access to the World Wide Web/Internet so that you can access the COIT Intranet. You must pay any Internet access fees you incur. You must also provide all computer equipment and software needed to connect to the World Wide Web/Internet.

4. PASSWORDS AND SECURITY

(a) We will issue you a User ID, a Level 1 Password, and a Level 2 Password. When you receive this password information for system entry, you are able to change your User ID, Level 1 Password and Level 2 Password at any time while online. Anyone using your User ID and Level 2 Password gains access to our confidential Operating Manuals and other Proprietary Information, so you must maintain the confidentiality of your passwords and User ID. You and your employees may not use another Person's User ID and passwords to access the COIT Intranet.

(b) Memorize your User ID and passwords. Do not record your User ID at the same place you record your passwords. You must maintain the confidentiality of your User ID and passwords, and you are responsible for all activities that occur under your User ID and passwords. You are also responsible for any use your employees make of their User IDs and passwords.

(c) You must (i) notify the current Systems Administrator immediately of any unauthorized use of your User ID or passwords, or any other breach of security that comes to your attention, and (ii) to log out of your COIT Intranet account at the end of each session.

(d) We are not liable for any loss or damage arising from your failure to comply with these requirements stated in this Section 3.

5. PRIVACY AND DATA COLLECTION

We may record each use of your User ID and password to access the COIT Intranet, the time and duration of each session of your User ID's use of the COIT Intranet, and the number of times that you access certain information on the COIT Intranet, such as when you open an update to the Operating Manuals or the number of instances and how often you access the Operating Manuals.

6. CONFIDENTIALITY OF CERTAIN INFORMATION

All provisions of your Franchise Agreement pertaining to Proprietary Information apply to all content located on the COIT Intranet.

7. CONDUCT

(a) You may not use the COIT Intranet for any purpose that is unlawful or prohibited by this agreement. You and your employees may use the COIT Intranet only for purposes related to the operation of your COIT Franchise and not for any other purpose, including any personal or unrelated business use. Any unauthorized use of the COIT Intranet is expressly prohibited, and we reserve the right remove inappropriate material and to deny access to the COIT Intranet to you if you or any of your employees use the COIT Intranet for an unauthorized purpose.

(b) You are responsible for all User Content you or your employees post or make available on the COIT Intranet, including all messages, e-mail, data, text, photographs, graphics, video, and other materials or information transmitted via the COIT Intranet (except information that we post), whether posted for general viewing or transmitted privately. If you or your employees upload, post, e-mail or otherwise transmit any User Content, you are responsible for its compliance with this agreement. We do not screen, edit or control User Content, and we do not accept responsibility for its truthfulness, accuracy, or suitability. Under no circumstances will we be liable in any way for any User Content, including errors or omissions in any User Content, or for any loss or damage of any kind incurred as a result of the use of any User Content posted, e-mailed or otherwise transmitted via the COIT Intranet.

(c) You may not use the COIT Intranet to:

(1) upload, post, e-mail or otherwise transmit any User Content that is unlawful, harmful, threatening, abusive, harassing, defamatory, vulgar, obscene, invasive of another's privacy, hateful, or racially, ethnically, or otherwise offensive;

(2) impersonate any Person;

(3) disguise the authorship or origin of any User Content you transmit;

(4) upload, post, e-mail or otherwise transmit any User Content that you do not have a right to transmit under any law or under contractual or fiduciary relationships (such as inside information or Proprietary Information);

(5) upload, post, e-mail or otherwise transmit any User Content that infringes any patent, trademark, trade secret, copyright or other proprietary rights of any Person;

(6) upload, post, e-mail or otherwise transmit any unsolicited or unauthorized advertising, promotional materials, "junk mail," "spam," "chain letters," or any other form of solicitation;

(7) upload, post, e-mail or otherwise transmit any material that contains software viruses or any other computer code, files or programs designed to interrupt, destroy or limit the functionality of any computer software or hardware or telecommunications equipment;

(8) disrupt the normal flow of dialogue, cause a screen to "scroll" faster than normal, or otherwise act in a manner that negatively affects other users' ability to engage in orderly exchanges;

(9) interfere with or disrupt servers or networks connected to the COIT Intranet;

(10) "stalk" or otherwise harass another; or

(11) collect or store personal data about other users.

(d) We have the right in our sole discretion to block or remove any objectionable User Content that you transmit or make available via the COIT Intranet. Without limiting the generality of the foregoing, we may remove any User Content that violates this agreement or your Franchise Agreement or that is otherwise objectionable.

(e) We store and preserve User Content and may disclose it if required by law or in the good faith belief that such disclosure is reasonably necessary (a) to comply with legal process, (b) to enforce this agreement or any other agreement to which we are a party, (c) to respond to claims that any User Content violates the rights of third-parties, or (d) to protect the rights, property and personal safety of COIT, our employees and franchisees, and their employees and/or suppliers and venders.

(f) We may transmit and store your User Content over various networks, computer servers and other technological means, and we may modify your User Content to conform and adapt it to technical requirements of connecting networks or devices.

(g) We will immediately suspend or terminate the rights of any User ID that we believe, in our sole discretion, is being used to disseminate "spam" or other unsolicited bulk e-mail. In addition, because damages are difficult to quantify, you agree to pay us liquidated damages of $5 for each piece of spam or unsolicited bulk e-mail transmitted under or otherwise associated with your User ID.

8. LICENSE TO REPUBLISH USER CONTENT

You grant us a royalty-free, perpetual, irrevocable, non-exclusive, fully assignable, worldwide right and license to use, reproduce, modify, adapt, publish, translate, create derivative works from, distribute, perform and display all or any part of the User Content that you transmit and/or to incorporate it with and into other works in any form, media, or technology now known or later developed.

9. RIGHT TO MODIFY

We have the right to modify the COIT Intranet as we believe is appropriate and necessary and to modify the Terms of Use Agreement governing the use of the COIT Intranet in the same manner that we modify, amend or supplement our Operating Manuals. This agreement and any modifications to it constitute a part of the Operating Manuals. We have the right at any time and from time to time to modify or discontinue, temporarily or permanently, the COIT Intranet (or any of its features), with or without notice. You agree that we are not liable to you or to any third party for any modification, suspension or discontinuance of the COIT Intranet.

10. INDEMNITY

You agree to indemnify us and our subsidiaries, affiliates, officers, agents, co-branders or other partners, and employees, and hold us and each of those parties harmless from any claim or demand, including reasonable attorneys' fees, made by any third party with respect to or arising out of User Content you submit, post to or transmit through the COIT Intranet, your use of the COIT Intranet, your violation of this agreement, or your violation of any rights of another.

11. USE AND STORAGE

We may establish general practices and limits concerning use of the COIT Intranet, including the maximum number of days that e-mail messages, message board postings or other uploaded User Content will be retained on or by the COIT Intranet, the maximum number of e-mail messages that may be sent from or received by an account, the maximum size of any e-mail message that may be sent from or received by an account, the maximum disk space that will be allotted on our servers on your behalf, and the maximum number of times (and the maximum duration for which) you may access the COIT Intranet in a given period. We disclaim any responsibility or liability for the deletion or failure to store any messages and other communications or other User Content maintained or transmitted by the COIT Intranet. We have the right to change these general practices and limits at any time, in our sole discretion, with or without notice.

12. TERMINATION

We may suspend your password, your e-mail account or other use of the COIT Intranet, and remove and discard any of your User Content if you violate this agreement. Any violation or breach of this agreement by you or your employees will be deemed a breach of your Franchise Agreement. In addition to any other rights or remedies we may have, if you repeatedly breach this agreement, we may terminate your password, e-mail account or other use of the COIT Intranet and thereafter supply you paper copies of our Operating Manuals, bulletins and other materials that we are required to provide you under your Franchise Agreement. We are not liable to you or any third party for any termination or suspension of your access to the COIT Intranet. Access to COIT Intranet will be terminated upon termination or expiration of the Franchise Agreement, your abandonment of the Franchised Business, or if you otherwise leave the System.

13. LINKS AND ADVERTISING

(a) The COIT Intranet may provide, or third parties (*i.e.*, other franchisees) may provide, links to other World Wide Web/Internet sites or resources. We are not responsible for the availability of such external sites or resources, and we neither endorse nor assume any responsibility for any content, advertising, products, or other materials on or available from such sites or resources. We will not be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with use of or reliance on any such content, goods or services available on or through any such site or resource.

(b) Your business dealings with, or participation in promotions of, advertisers found on or through the COIT Intranet, including payment and delivery of related goods or services, and any other terms, conditions, warranties or representations associated with such dealings, are solely between you and the advertiser. We are not responsible or liable for any loss or damage of any kind you incur as the result of any such dealings or as the result of the presence of such advertisers on the COIT Intranet.

(c) We may link the COIT Intranet to the web sites of third parties, including, other electronic service providers, affiliates and other providers of goods and services.

(d) We may place legal notices, disclaimers, our corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on the COIT Intranet, all of which we may modify, expand or eliminate at our option. All consideration(monetary and non-monetary) received by us on account of the placement or sale of advertisements, endorsements and sponsorships on the COIT Intranet will belong only to us.

14. INTELLECTUAL PROPERTY RIGHTS

(a) We grant you a personal, non-transferable and non-exclusive right and license to use the object code of the Software (defined below) on your computers. You promise not to copy, modify, create a derivative work of, reverse engineer, reverse assemble, or otherwise attempt to discover any source code, or to sell, assign, sublicense, grant a security interest in, or otherwise transfer any right in the Software, either directly or through your employees or independent contractors.

You agree not to modify the Software in any manner or form, or to use modified versions of the Software for any purpose, including (without limitation) that of obtaining unauthorized access to the COIT Intranet. You agree not to access the COIT Intranet by any means other than the interface that we provide for use in accessing the COIT Intranet. We own and will retain all right, title and interest in and to the Software (subject to any licenses for the same with third parties), all Owner Content (as defined below) prepared for, or used on, the COIT Intranet, and all intellectual property rights in or to any of them.

(b) "Owner Content" means all text, e-mail, images, sounds, files, videos, designs, animations, layouts, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through the COIT Intranet that we post or provide.

(c) "Software" means computer programs and computer code (*e.g.*, HTML, Java) used for, with or on the COIT Intranet, excluding any software programs owned by third parties.

15. DISCLAIMER OF WARRANTIES

YOU EXPRESSLY UNDERSTAND AND AGREE THAT:

(a) YOUR USE OF THE COIT INTRANET IS AT YOUR SOLE RISK. THE COIT INTRANET IS PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS. WE EXPRESSLY DISCLAIM ALL WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

(b) WE MAKE NO WARRANTY THAT (i) THE COIT INTRANET WILL BE UNINTERRUPTED, TIMELY, SECURE, OR ERROR-FREE, (ii) THE RESULTS THAT MAY BE OBTAINED FROM THE USE OF THE COIT INTRANET WILL BE ACCURATE OR RELIABLE, (iii) THE QUALITY OF ANY PRODUCTS, SERVICES, INFORMATION, OR OTHER MATERIAL YOU PURCHASE OR OBTAIN THROUGH THE COIT INTRANET WILL MEET YOUR EXPECTATIONS, AND (iv) ANY ERRORS IN THE SOFTWARE WILL BE CORRECTED.

16. LIMITATION OF LIABILITY

YOU EXPRESSLY UNDERSTAND AND AGREE THAT NEITHER WE NOR OUR AFFILIATES, CONTRACTORS, SUPPLIERS OR LICENSORS SHALL BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, GOODWILL, USE, DATA OR OTHER INTANGIBLE LOSSES (EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), RESULTING FROM: (i) YOUR USE OF OR INABILITY TO USE THE COIT INTRANET; (ii) THE COST OF PROCUREMENT OF SUBSTITUTE GOODS AND SERVICES RESULTING FROM ANY GOODS, DATA, INFORMATION OR SERVICES PURCHASED OR OBTAINED OR MESSAGES RECEIVED OR TRANSACTIONS ENTERED INTO THROUGH OR FROM THE COIT INTRANET; (iii) UNAUTHORIZED ACCESS TO OR ALTERATION OF YOUR TRANSMISSIONS, DATA OR OTHER USER CONTENT; (iv) STATEMENTS OR

CONDUCT OF ANY THIRD PARTY ON THE COIT INTRANET; OR (v) ANY OTHER MATTER RELATING TO THE COIT INTRANET

17. NOTICES

Notices to you or us may be made by any manner permitted in the Franchise Agreement. In addition, we may also provide notices of changes to this agreement or other matters by displaying notices or links to notices to you generally on the COIT Intranet.

18. GENERAL

(a) This agreement constitutes the entire agreement between you and us relating to your use of the COIT Intranet and supersedes any prior agreements between you and us. You also may be subject to additional terms and conditions that may apply when you use affiliate services, third-party content or third-party software. The laws of the State of California govern all aspects of this agreement without regard to conflict of law provisions. You and we agree to submit to the personal and exclusive jurisdiction of the courts located within the State of California as provided for in the Franchise Agreement.

(b) This agreement does not constitute a modification of any terms of the Franchise Agreement or other agreements between you and us, including but not limited to, those regarding Proprietary Information and use of the Operating Manuals.

(c) Our failure to exercise or enforce any right or provision of this agreement shall not constitute a waiver of such right or provision. If any provision of this agreement is found by a court of competent jurisdiction to be invalid, you and we nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision, and the other provisions of this agreement remain in full force and effect. You agree that, regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to use of the COIT Intranet or this agreement must be filed within one year after the claim or cause of action arose or be forever barred. The section titles in this agreement are for convenience only and have no legal or contractual effect.

19. VIOLATIONS

Please report any violations of this agreement to the current Systems Administrator.

You and we are signing this agreement on the dates below.

6. **COIT SERVICES, INC.**:	**FRANCHISEE**:
By:____________________	By:____________________
Its:____________________	Its:____________________
Date:____________________	Date:____________________

Schedule A – to the Coit Intranet System dated ______________________ Between COIT Services, Inc. ("COIT") and Franchise Legal Name. ("Franchisee")

Fees: $19.95 per month for a single user and $15.95 per month for each additional user due at the begging of the month.

EXHIBIT I. ADDENDUM FOR CONVERSION FRANCHISE

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

CONVERSION ADDENDUM

TO COIT FRANCHISE AGREEMENT

This addendum to the COIT Franchise Agreement is between COIT SERVICES, INC. ("Franchisor") and ______________________________ ("Franchisee").

PREAMBLE:

A. Franchisee has been operating a business under the name _______________________ (the "Former Trade Name") that provides services that are the same as or similar to those provided by a COIT Franchise at ____ (the "Predecessor Business").

B. Simultaneously with their execution of this addendum, Franchisor and Franchisee are entering into a franchise agreement (the "Franchise Agreement") for the operation of a COIT Franchise in the Territory.

C. Franchisee desires to convert the Predecessor Business to a COIT Franchise and has entered into the Franchise Agreement for that purpose.

D. This addendum modifies certain aspects of the Franchise Agreement to provide for certain terms and conditions appropriate for the conversion of the Predecessor Business to a COIT Franchise and for an orderly transition of the operation of the Predecessor Business to a COIT Franchise on the terms and conditions in this addendum.

THEREFORE the parties hereby amend the Franchise Agreement and agree as follows:

1. Amendment of Franchise Agreement; Defined Terms. This addendum is an integral part of, and is incorporated into, the Franchise Agreement. Nevertheless, this addendum supersedes any inconsistent or conflicting provisions of the Franchise Agreement. The parties hereby ratify and affirm the Franchise Agreement in all other respects. Capitalized terms used but not defined in this addendum are defined in the Franchise Agreement.

2. Location of the Franchised Business. Franchisee already has complied with the provisions of Article 3 of the Franchise Agreement. Franchisee represents that it has access to and the right to remain in possession of the Franchise Premises for the entire term of the Franchise Agreement.

3. Opening of the Franchised Business. For purposes of this addendum and the Franchise Agreement, the Franchised Business is considered to have "opened" or "commenced" on the Effective Date of the Franchise Agreement. Within three months after the Effective Date, Franchisee shall complete all modifications required to bring the Franchised Business into compliance with the System Standards, including, but not limited to, use of the Marks (whether or not in conjunction with Franchisee's former trade name), the cessation of use and removal from the Franchise Premises all products, supplies, and equipment that are not approved by Franchisor or that do not conform with the System Standards, and the designation of a Designated Principal.

4. Training and Operating Assistance. In Franchisor's Business Judgment, Franchisee's Designated Principal and/or manager may be exempt from attendance during certain portions of the initial training program.

5. Minimum Royalty Amount. The Minimum Royalty Amount is $1,000 per month starting on the last day of the forty-eighth full calendar month after the Effective Date throughout the remaining term of the Franchise Agreement, and Section 5.1 of the Franchise Agreement is hereby amended accordingly.

6. Deduction for Predecessor Business Revenue. The parties acknowledge and agree that the Predecessor Business provided services that are the same as or similar to the Core Services that Franchisee will offer as a COIT Franchisee, and that Franchisee's average monthly revenue from the sale of such services during the one-year period immediately before the Effective Date was $________ (the "Base Revenue Amount"). For the period beginning on the Effective Date and ending on the last day of the forty-eighth full calendar month after the Effective Date (the "Deduction Period"), for purposes of calculating the Royalty and Branding & Marketing Fund Contribution Franchisee is obligated to pay under Sections 5.1 and 5.3 of the Franchise Agreement, "Gross Revenues" for each calendar month will be the amount described in Section 5.8 of the Franchise Agreement less the Base Revenue Amount. If for any calendar month, the Base Revenue Amount is greater than the Gross Revenues, then Franchisee may carry forward the excess Base Revenue Amount and deduct it from the Gross Revenues for the next calendar month. Gross Revenues derived from other than Core Services will be calculated in accordance with Section 5.8 without deduction of the Base Revenue Amount. After the Deduction Period, Gross Revenues for all purposes will be calculated in accordance with Section 5.8 without deduction of the Base Revenue Amount.

7. Trade Name. Notwithstanding any provision of the Franchise Agreement to the contrary, after Franchisee commences business as a COIT Franchise, Franchisee may be permitted, in Franchisor's Business Judgment, to continue using the Former Trade Name in conjunction with the Marks, but only for the period of time and only in the manner and to the extent expressly permitted in writing by Franchisor. Upon the expiration of any time period in which Franchisee may be permitted to continue using the Former Trade Name, Franchisee shall take all actions necessary to completely discontinue and forever refrain from any further use of the Former Trade Name in connection with its COIT Franchise, including, but not limited to, removal and/or replacement of all signs at any location that contains or bears the Former Trade Name, discontinuance of any advertisement containing the Former Trade Name, removal of the Former Trade Name from any tangible items, including but not limited to COIT Vehicles and uniforms, and discontinuance of the use of any business forms or other tangible items containing the Former Trade Name.

8. Reasonableness of Restrictions. Section 15.1 of the Franchise Agreement is amended as follows:

> "Even though it was previously engaged in the operation of the Predecessor Business, Franchisee agrees that each of the terms in this agreement, and specifically in this Article 15, including the restrictions on competition and solicitation, are fair and reasonable, and are reasonably required for the protection of Franchisor and the COIT Network."

9. Exclusive Relationship. Franchisee represents that, except for the Predecessor Business, neither Franchisee nor any Affiliate, Principal, or Remote Principal of Franchisee, nor any member of the immediate families of any Affiliate, Principal, or Remote Principal of Franchisee: (1) have any Ownership Interest in any Competitive Business; (2) have any Ownership Interest in any Person that grants franchises or licenses to others to operate Competitive Businesses; or (3) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business or any Person that grants franchises or licenses to others to operate Competitive Businesses.

10. Transfers. The Franchise Agreement requires that Franchisor's then-current form of Franchise Agreement and ancillary agreements be executed in connection with any Transfer. Accordingly, in the event of a Transfer, the transferee will be required to sign Franchisor's standard form of Assignment and Assumption Agreement and execute Franchisor's then-current franchise agreement, which require the transferee to assume all of Franchisee's obligations under the Franchise Agreement. However, this addendum will automatically be cancelled and will no longer apply in any manner, so that the transferee will be bound by the Franchise Agreement alone, without reference to this addendum. The parties recognize that the accommodations made by Franchisor in this addendum are personal to Franchisee.

11. Acknowledgments. Franchisee represents that it is not associated with, a party to a contract with or otherwise obligated to any other business pursuant to a license, franchise, joint venture, marketing or other such agreement, and that it is not a party to, and its business is not subject to, any mortgages, pledges, assignments, liens, proceedings or judgments that may alter, impede, or otherwise interfere with Franchisee's ownership of its business or its operation of a COIT Franchise.

12. Remaining Terms Unaffected. All terms of the Franchise Agreement not deleted, modified or waived by this addendum remain binding on the parties.

The parties are signing this addendum on the dates below.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:________________________________	By:________________________________
Its:______________________________	Its:_____________________________
Date:______________________________	Date:______________________________

EXHIBIT J. ADDENDUM FOR SUCCESSOR FRANCHISE

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

SUCCESSOR FRANCHISE ADDENDUM TO
COIT FRANCHISE AGREEMENT

This addendum to the COIT Franchise Agreement is between COIT SERVICES, INC. ("Franchisor") and __________________________ ("Franchisee").

7. PREAMBLE:

A. Franchisee has been operating a COIT Franchise under a franchise agreement with Franchisor (the "Prior Franchise Agreement") that was executed on ____________ and will expire on _____________.

B. Franchisee has requested and Franchisor has agreed to grant Franchisee a Successor Franchise under Section 15.A of the Prior Franchise Agreement.

C. Accordingly, simultaneously with their execution of this addendum, Franchisor and Franchisee are entering into Franchisor's current form of COIT franchise agreement (the "Franchise Agreement").

D. This addendum modifies certain aspects of the Franchise Agreement to reflect the fact that Franchisee is obtaining a Successor Franchise and that it is an experienced operator of a COIT Franchise, and to delete and/or waive the provisions of the Franchise Agreement that are intended to apply only to new franchisees.

THEREFORE the parties hereby amend the Franchise Agreement and agree as follows:

1. Amendment of Franchise Agreement; Defined Terms. This addendum is an integral part of, and is incorporated into, the Franchise Agreement. Nevertheless, this addendum supersedes any inconsistent or conflicting provisions of the Franchise Agreement. The parties hereby ratify and affirm the Franchise Agreement in all other respects. Capitalized terms used but not defined in this addendum are defined in the Franchise Agreement.

2. Effective Date. The "Effective Date" and the first day of the term of the Franchise Agreement and this addendum is the day after the Expiration Date of the Prior Franchise Agreement, regardless of the actual date that the agreements were signed.

3. Establishment of the Franchised Business. Franchisee already has complied with the requirements of Article 3 of the Franchise Agreement. Franchisee represents that it has access to and the right to remain in possession of the Franchise Premises for the entire term of the Successor Franchise.

4. Training and Operating Assistance. Franchisor already has satisfied its obligations under Article 6 of the Franchise Agreement to provide Franchisee with initial training and opening assistance and to loan Franchisee copies of the Operating Manuals. However, Franchisee shall comply with Franchisor's current training requirements, including any refresher training programs or training requirements specifically designed for Successor Franchisees.

5. Initial Franchise Fee. No Initial Franchise Fee is required for a Successor Franchise; accordingly, Section 4.1 of the Franchise Agreement is inapplicable and is hereby deleted in its entirety. Franchisor hereby acknowledges receipt of the Successor Franchise Fee required by Section 2.2(i) of the Franchise Agreement.

6. Minimum Royalty Amount. The Minimum Royalty Amount is $1,250 per month throughout the entire term of the Successor Franchise Agreement, and Section 5.1 of the Franchise Agreement is hereby amended accordingly. For Small Markets with Territories under 80,000 households there is no Minimum Royalty.

7. Exclusive Relationship. Franchisee represents that, except for other COIT Franchises operated under franchise agreements with Franchisor, neither Franchisee nor any Affiliate, Principal, or Remote Principal of Franchisee, nor any member of the immediate families of any Affiliate, Principal, or Remote Principal of Franchisee: (1) have any Ownership Interest in any Competitive Business; (2) have any Ownership Interest in any Person that grants franchises or licenses to others to operate Competitive Businesses; or (3) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business or any Person that grants franchises or licenses to others to operate Competitive Businesses.

8. Releases. Simultaneously with the execution of this addendum, Franchisee and each of its Principals and Remote Principals must sign and deliver to Franchisor a General Release in the form attached to the Franchise Agreement as Exhibit C.

9. Amendment of Software License Agreement. The parties hereby amend the software license agreement dated ____________ between Franchisor and Franchisee (the "Software License Agreement"), relating to the COIT Order Entry System proprietary software, as follows:

(a) The Software License Agreement is hereby renewed for an additional term that begins on the Effective Date of the Franchise Agreement and terminates automatically at the termination or expiration of the Franchise Agreement.

(b) All terms of the Software License Agreement not deleted, modified or waived by this addendum remain binding on the parties.

10. Transfers. The Franchise Agreement requires that Franchisor's then-current form of Franchise Agreement and ancillary agreements be executed in connection with any Transfer. Accordingly, in the event of a Transfer, the transferee will be required to sign Franchisor's standard form of Assignment and Assumption Agreement and execute Franchisor's then-current franchise agreement, which require the transferee to assume all of Franchisee's obligations under the Franchise Agreement. However, this addendum will automatically be cancelled and will no longer apply in any manner, so that the transferee will be bound by the Franchise Agreement alone, without reference to this addendum. The parties recognize that the accommodations made by Franchisor in this addendum are personal to Franchisee.

11. Remaining Terms Unaffected. All terms of the Franchise Agreement not deleted, modified or waived by this addendum remain binding on the parties.

The parties are signing this addendum on the dates below.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:______________________________	By:______________________________
Its:____________________________	Its:____________________________
Date:____________________________	Date:____________________________

EXHIBIT K. ADDENDUM FOR DISASTER RESTORATION SERVICES

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT DISASTER RESTORATION ADDENDUM TO

COIT FRANCHISE AGREEMENT

This addendum to the COIT Franchise Agreement is between COIT SERVICES, INC. ("Franchisor") and ________________________ ("Franchisee").

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Services, Inc. Franchise Agreement dated ______________________ for the operation of a COIT Franchise (the ________________ "Franchised Business") offering various cleaning services to the public in a prescribed territory (the "Territory") described in Exhibit A to the Franchise Agreement.

B. Franchisor has developed a system for promoting and providing Disaster Restoration Services (as defined in Section 1.J below).

C. The Franchise Agreement does not currently authorize Franchisee to offer Disaster Restoration Services.

D. Franchisor is offering existing franchisees the opportunity to provide Disaster Restoration Services as part of their COIT Franchises if they are qualified to do so according to Franchisor's standards and they agree to the terms and conditions in this addendum.

E. Franchisee has qualified or agrees to become qualified to provide Disaster Restoration Services and wishes to enter into this addendum and abide by its terms in the operation of the Franchised Business.

Therefore the parties hereby amend the Franchise Agreement as follows:

1. DEFINED TERMS

The definition of capitalized terms used but not defined in this addendum are defined in the Franchise Agreement. The following terms are defined below:

A. "Affiliated Subcontractor" means a Subcontractor (as defined in Section 1.K below) that is controlled by or under common control with Franchisee.

B. "Authorized Products and Services" and "Mandatory Products and Services" include, in addition to the products and services listed in the Franchise Agreement, Disaster Restoration Services.

C. "Build-Back/Put-Back Services" means Reconstruction or Construction services performed after completion of mitigation or cleaning services, but excluding re- installation of carpets that were removed during the project and does not include tear out, demolition, removal and disposal, pack out/move-back and storage.

D. "<u>Catastrophe</u>" means either an event that is declared to be a disaster by a local, state or federal government agency, or a project for which the estimated cost of Disaster Restoration Services exceeds $50,000.00 or 15 consecutive losses in a given area.

E. "<u>Competitive Business</u>" does not include an Affiliated Subcontractor that only provides Disaster Restoration Services in conjunction with the Franchised Business, if either the Affiliated Subcontractor or Franchisee pays all fees imposed by Section 5 of this addendum on or in connection with the Affiliated Subcontractor's Gross Revenue or business.

F. "<u>Contents</u>" means all personal property items not considered part of a structure as defined by the insurance industry for policy coverage.

G. "<u>Gross Revenue</u>" means, in addition to and without limiting the definition in the Franchise Agreement, all money and other consideration Franchisee receives from the sale of Disaster Restoration Services (including services provided by a Subcontractor or other third-party provider), regardless of whether the services are performed at the customer premises or off-site, and including money and consideration received for services performed by a Subcontractor or other third-party provider.

H. "<u>Hosting Fee</u>" means a fee paid by Franchisor to Franchisee when Franchisor or its Affiliate performs Disaster Restoration Services in the Territory that result from a Catastrophe.

I. "<u>Re-install Services</u>" means Reconstruction or Construction services related to removal of original structural items such as baseboards and their re-installation at the completion of the project.

J. "<u>Reconstruction or Construction</u>" means other construction services that are related to, connected with and/or performed with or after fire, smoke, water, wind, flood and other damage cleaning, restoration and mitigation, and mold remediation or other Franchise Services, including, without limitation, replacing sheet rock, doors, windows and sub-flooring, wood and tile flooring, insulation, cabinetry, carpentry, countertops, rebuilds and other such services, all of which are subject to full Royalty payments unless they qualify as Sub-contract Services pursuant to Section 5.C.(3) of this addendum.

K. "<u>Disaster Restoration Services</u>" means all services required to return a customer's property back to its pre-loss condition after damage by fire, smoke, water, sewage, wind, flood and other damage cleaning, restoration and mitigation, and mold remediation or other causes which may be authorized by Franchisor; mitigation, remediation, abatement, cleaning, drying, deodorizing, rReconstruction or Construction and repair, performed at the customer's premises or at off-site facilities, packing, storage, transport of damaged furniture and contents for off-site processing, and return transport, unpacking of contents back to the customer's premises.

L. "<u>Subcontractor</u>" means an independent, licensed, and insured third party that Franchisee engages to provide Reconstruction and Construction services as part of the Disaster Restoration Services provided to customers of the Franchised Business.

M. "Third Party Administrators" means a third party that the Franchisee engages to refer Disaster Restoration Services to Franchisee.

2. GRANT OF LICENSE

A. As part of the Franchised Business governed by the Franchise Agreement, Franchisor hereby grants Franchisee the right and license to use the Marks in connection with the provision of Disaster Restoration Services to customers located within the Territory during the term of the Franchise Agreement, subject to all the provisions of this addendum and the Franchise Agreement. Other than as expressly set forth in Section 6.A below concerning the provision of Disaster Restoration Services in connection with a Catastrophe, Franchisee's rights in the Territory and Franchisor's reserved rights in the Territory remain as described in the Franchise Agreement.

B. This addendum will expire concurrently with the Franchise Agreement on the Expiration Date thereof.

3. TRAINING, CERTIFICATIONS AND LICENSES

A. **Training.** The Designated Principal of Franchisee, and the individual who will manage the Disaster Restoration Services for the Franchised Business, must attend and successfully complete Franchisor's initial training program for Disaster Restoration Services before Franchisee may offer or provide Disaster Restoration Services. This training is in addition to the initial training required by the Franchise Agreement. There is no fee for the initial training for Disaster Restoration Services— Franchisor shall provide and pay for the instructors, training facilities, and training materials, if in the future new personnel of the Franchised Business require this training, Franchisee may send them to subsequently held sessions of the initial Disaster Restoration Services training subject to its availability and the payment of the then-current initial training fees charged by Franchisor, which will not exceed $3,500 per person. Additional optional or mandatory training programs for New Services shall be subject to the terms of the Franchise Agreement. Franchisee shall pay all travel and living expenses and compensation of its attendees at this training. Additional optional or mandatory training programs for Disaster Restoration Services shall be subject to the terms of the Franchise Agreement. .

B. **Certifications.** The Franchised Business must always have on staff a person or persons currently certified by the Institute of Inspection, Cleaning and Restoration Certification, (IICRC) or equivalent certifications as approved by Franchisor, in (i) Water Damage Restoration Technician (WRT); (ii) as an Applied Structural Drying Technician (ASD); and (iii) as an Applied Microbial Remediation Technician, (AMRT). Franchisee must keep Franchisor informed of the identities of and any changes in personnel having these certifications. Franchisee is responsible for all fees associated with obtaining Certifications.

C. **Licenses.** Franchisee shall obtain and keep in force all licenses that may be required by any federal, state or local governmental authorities to render the Disaster Restoration Services, provided that with respect to any structural repairs and construction work included in the Disaster Restoration Services for any project, the Franchised Business may utilize the services of a Subcontractor who has the requisite contractor's licenses for performing such services. Franchisee is solely responsible for ensuring that the Franchised Business and any Subcontractors or other service providers it uses, such as transportation or warehousing companies, possess the requisite licenses.

4. EQUIPMENT, FACILITIES, COMPUTER AND INSURANCE

A. **Equipment and Facilities.** Franchisee shall obtain and keep in good working order any equipment required, now or in the future, by Franchisor for providing Disaster Restoration Services, including but not limited to drying equipment. Franchisee must at all times maintain or have available for its use appropriate facilities as needed to provide and render the Disaster Restoration Services. All such equipment and facilities, including those owned or maintained by Subcontractors or other third parties, must meet Franchisor's specifications and standards.

B. **Computer Software and Documentation.** Franchisee must use Xactimate®[1] Symbility Time, and Material ('T&M") or equivalent as mandated by the Insurance company, a project estimating program. This software run on Microsoft Windows-compatible personal computers, workstations, data servers, online and in the cloud. Franchisee must have a means of backing up data files. Franchisee must have high-speed Internet access for online support for the required software. Franchisor reserves the right to become a master seller of Xactimate. In such event Franchisees would be required to purchase the licenses through Franchisor. Franchisee must obtain and use restoration job management software of their choosing. Franchisee must keep a good record of job documentation including but not limited to work authorizations, pictures, drying records, job notes, certificates of satisfaction and completion for each job. Additional software and hardware may be required if the Franchisee joins and works on Third Party Administrator ("TPA") programs. Many TPA's use their proprietary application requiring the use of an Android or iOS mobile device for document signing, photo documentation, moisture mapping and uploads. These computer and software requirements may change overtime as technology evolves. Franchisor has the right change these requirements based on their business judgement.

C. **Insurance.** Franchisee shall maintain all insurance required by Franchisor in connection with Disaster Restoration Services subject to all of the requirements of the Franchise Agreement for maintaining insurance coverage. In addition, Franchisee is responsible for ensuring that any Subcontractors or other third-party service providers it utilizes in rendering the Disaster Restoration Services, such as transportation or warehousing companies, have the customary liability, errors and omissions and property damage insurance coverage required in their industries.

5. FEES

A. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee of $5,000. The initial franchise fee is payable in full and fully earned by Franchisor upon the execution of this addendum. If the Franchise Agreement, or any predecessor franchise agreement between Franchisor and Franchisee, was executed before December 31, 2015, then the initial franchise fee required by this paragraph is waived.

B. **Royalty Generally.** Franchisee shall pay Franchisor a monthly Royalty on Gross Revenue generated from or in connection with Disaster Restoration Services at the rates provided in Section 5.C of this addendum, and in the manner and at the times provided in the Franchise Agreement. Because the Royalty rate differs on Gross Revenue generated by different types of services and sales, Franchisee shall report Gross Revenue and maintain its books and records such that Gross Revenue attributable to different types of services and sales can be readily identified and calculated. Without limiting the foregoing, all reports accompanying Royalty payments must subtotal each category of service

[1] Xactimate® is a registered trademark of Verisk in the United States. Neither COIT nor any of its affiliates will derive revenue from purchases from Verisk, and requires training provided through a third party.

rendered or sale made as to which a different Royalty rate applies, and must otherwise be presented in the form and manner required by Franchisor.

C. **Royalty Rates.**

(1) The Royalty rate for Gross Revenue from Disaster Restoration Services, other than those described in Section 5.C (2) and 5.C(3) below, is 7% unless Franchisee is not in Good Standing then the Royalty rate is 8%; and

(2) As an incentive to Franchisee to fully develop Disaster Restoration Services, if Franchisee is in Good Standing, the Royalty rate on Job $2,000,000 or greater shall be 5.5% of the Franchisee's Gross Revenues. The job is defined and shall mean a unique customer at a unique customer location based on a one-time unique Disaster Restoration Services event.

(3) The Royalty rate is 3% for Gross Revenue from Build-Back/Put-Back Services, Reinstall Services, and services provided by a Subcontractor (other than an Affiliated Subcontractor). In order to qualify for the 3% royalty rate when using Subcontractors, Franchisee shall provide Franchisor, upon request, with copies of Subcontractors licenses, insurance and any work orders and invoices relative to the work performed by the Subcontractors, including sufficient detail to indicate the type of work performed, the customer's identity and contact information, and a breakdown of the charges. Franchisee also shall provide written verification that a Subcontractor for other than Build- Back/Put-Back and Re-install Services is not an Affiliated Subcontractor.

For purposes of the above table, a "Franchise Year" is a one-year period beginning on date that this Addendum is signed or any anniversary of that date thereof, and ending on the day before the next anniversary.

D. **Branding And Marketing Fund Contribution.** Franchisee shall pay a Fund Contribution on Gross Revenue from all Disaster Restoration Services as provided in Section 10.C of the Franchise Agreement.

E. **Referral Fee.** From time to time, although they are not obligated to do so, Franchisor or another COIT Franchisee may refer Disaster Restoration Services jobs to Franchisee. In such cases, Franchisee shall pay Franchisor or the referring franchisee, as the case may be, a "Referral Fee" of 5% of the Gross Revenue generated by the work referred. Franchisee shall pay the Referral Fee no later than thirty days after Franchisee's receipt of payment for the work referred. All Referral Fees are in addition to and do not reduce any applicable Royalty or other fees payable under this addendum or the Franchise Agreement. Franchisor is not responsible for and does not guaranty any franchisee's payment of referral fees to another franchisee. Failure to pay a Referral Fee, whether owed to Franchisor or another franchisee, is grounds for termination of the Franchise Agreement due to nonpayment as provided under Section 16.B(1) of the Franchise Agreement.

F. **Lead Fee.** Franchisor or Franchisee may develop an agreement with a Third Party Administrator ("TPA") (without conflict of interest) for providing leads of customers in need of Disaster Restoration Services. Franchisee is responsible to pay any Lead Fees charged by the TPA lead source for jobs accepted by Franchisee and generated by a lead provided by that source. If Franchisee has not been approved by the TPA to perform the

Disaster Restoration Service then Franchisor may perform the Disaster Restoration Service or allow another Franchisee to perform this service or any third party with no fees due to the Franchisee who currently owes the Territory.

G. **Team Leader On-Site Assistance.** Franchisor has the right, but not the obligation, to dispatch a "Team Leader or Team" at Franchisee's request to assist Franchisee with Disaster Restoration Services for particular project or as needed to supplement the personal resources of the Franchised Business. In addition to the Royalties and other fees payable in connection with the applicable Disaster Restoration Services, Franchisee also shall pay Franchisor the greater of (1) $1,000 per day for each person plus travel expenses, or (2) the amount that is billable to customer for the Team Leader On-Site Assistance, plus travel expenses, per person. This amount is subject to change.

6. CATASTROPHES

A. **Franchisor Option to Control Work.** Notwithstanding any provisions of the Franchise Agreement concerning Franchisee's rights in the Territory, Franchisor has the right and option to directly manage, control and provide, itself or through its designees, all or part of the Disaster Restoration Services related to any event defined as a Catastrophe, whether the event occurs within or outside of the Territory. Franchisee shall immediately notify Franchisor of any event that qualifies as a Catastrophe and cooperate with Franchisor in its efforts to offer and provide Disaster Restoration Services in connection therewith.

B. **Allocation of Work and Payment.** If Franchisor decides to manage and control the Disaster Restoration Services in connection with a Catastrophe, Franchisor will be responsible for the administration, financing and collection of monies due from the project. For all such projects managed by Franchisor in the Territory, Franchisor shall first offer Franchisee the option to perform as much of the work as the Franchised Business is qualified to perform as determined by Franchisor in the Business Judgment, and for all such work that Franchisee performs, Franchisor shall pay Franchisee a pre-negotiated flat fee per day. If Franchisee does not accept the work offered for any reason, including the parties' failure to agree on the rate of payment, then Franchisor will be free to offer the work to another Person for any price Franchisor determines, or perform the work itself, in its Business Judgment.

C. **Hosting Fee. As to any Disaster Restoration Services** relating to a Catastrophe that are performed in the Territory by Franchisor or a Person other than Franchisee at the direction of Franchisor, Franchisor shall pay Franchisee a "Hosting Fee" of 2% of the revenue received by Franchisor from the Disaster Restoration Services.

D. **Time for Payments.** Franchisor shall pay all amounts owed to Franchisee for work done under Section 6.B and 6.C within thirty days after Franchisor's receipt of payment for the Disaster Restoration Services.

7. MARKETING COLLATERAL AND TARGETED MARKETING

Franchisor may offer advertising and marketing collateral materials for use in promoting Disaster Restoration Services and Franchisee shall pay for such materials ordered at Franchisor's then-current rates. Franchisor may also make available to Franchisee data base marketing specific to a particular geographic area or client base and if Franchisee desires to receive data base marketing targeted to its geographic area or client base, it shall pay for such marketing on a "Cost+10+10+" basis (Franchisor's cost for producing the marketing plus another 10% of cost for overhead and another 10% of cost for profit).

8. SUCCESSOR FRANCHISE

Franchisee's rights and Franchisor's obligations under this addendum terminate at the Expiration Date of the Franchise Agreement. Nothing in this addendum gives Franchisee any right to renew this addendum for an additional term, but if Franchisor grants Franchisee a Successor Franchise under Section 15 of the Franchise Agreement, then, at Franchisee's option, Franchisor shall also grant Franchisee a Successor Disaster Restoration Addendum for the Territory, also for a ten-year term to commence upon the Expiration Date of the Franchise Agreement and run concurrently with Franchisee's Successor Franchise. The award of a Successor Franchise will be in Franchisor's Business Judgment and subject to the conditions of Section 15.A (2) of the Franchise Agreement. A Successor Disaster Restoration Addendum will be granted on the terms of Franchisor's then-current Disaster Restoration Addendum (which may materially differ, in economic and other aspects, from this addendum and its requirements), but Franchisee will not be required to pay another initial franchise fee (although Franchisee will be required to pay a Successor Franchise Fee in consideration of Franchisor's grant of the Successor Franchise). Franchisee has no right to and is not eligible for a Successor Disaster Restoration Addendum unless Franchisee requests and is granted a Successor Franchise.

9. EFFECT OF ADDENDUM

This addendum is an integral part of the Franchise Agreement and is subject to and will be interpreted and enforced according to the provisions of the Franchise Agreement, including but not limited to those requiring adherence to Franchisor's Operating Manual, standards, specifications and policies. To the extent that any part of the Franchise Agreement conflicts with the terms of this addendum, the terms of this addendum control. A default under this addendum will be deemed a default under the Franchise Agreement, including any default in any payment obligation hereunder. Except as otherwise expressly modified by this addendum or a prior written addendum, all provisions of the Franchise Agreement remain in full force and effect.

10. ENTIRE AGREEMENT

This addendum, together with the Franchise Agreement and any prior written addenda thereto (collectively, the "Franchise Documents"), constitute the entire agreement between the parties with respect to the subject matter hereof. All prior discussions, negotiations, and representations concerning such subject matter are superseded by the Franchise Documents. This addendum may only be amended by a written instrument signed by the parties.

The parties are signing this addendum on the dates below.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE:**
By:______________________________	By:______________________________
Its:____________________________	Its:____________________________
Date:____________________________	Date:____________________________

EXHIBIT L. ADDENDUM FOR STONE RESTORE SERVICES

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

8. COIT STONE RESTORE ADDENDUM TO COIT FRANCHISE AGREEMENT

This addendum to the COIT Franchise Agreement is between COIT SERVICES, INC. ("Franchisor") and ___________________________ ("Franchisee").

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Services, Inc. Franchise Agreement dated ____________ for the operation of a COIT Franchise (the "Franchised Business") offering various cleaning services to the public in a prescribed territory (the "Territory") described in Exhibit A to the Franchise Agreement.

B. Franchisor has developed a system for cleaning, polishing, sealing, restoring, and honing marble, granite, limestone, terrazzo, travertine and other natural stone products as well as concrete used for floors, walls, baths, and countertops (the "Stone Restore Services") under the service mark COIT STONE RESTORE.

C. The Franchise Agreement does not currently authorize Franchisee to offer Stone Restore Services.

D. Franchisor is offering existing franchisees the opportunity to provide Stone Restore Services as part of their COIT Franchises if they are qualified to do so according to Franchisor's standards and they agree to the terms and conditions in this addendum.

E. Franchisee has qualified or agrees to become qualified to provide Stone Restore Services and wishes to enter into this addendum and abide by its terms in the operation of the Franchised Business.

Therefore the parties hereby amend the Franchise Agreement as follows:

1. DEFINED TERMS

The definition of capitalized terms used but not defined in this addendum are defined in the Franchise Agreement. The following terms are defined below:

A. "Authorized Products and Services" and "Mandatory Products and Services" include, in addition to the products and services listed in the Franchise Agreement, Stone Restore Services.

B. "Gross Revenues" means, in addition to and without limiting the definition in the Franchise Agreement, all money and other consideration Franchisee receives from the sale of Stone Restore Services, regardless of whether the services are performed at the customer premises or off-site, and including money and consideration received for services performed by a subcontractor or other third-party provider.

C. "Marks" specifically includes the mark COIT STONE RESTORE.

D. "Separate Marks" are trademarks, service marks, trade names, trade dress, and other commercial symbols, other than the COIT, COIT STONE RESTORE, and other Marks currently being used by Franchisor or its franchisees, that Franchisor may acquire or adopt and use in the future for the sole and specific purpose of identifying the Stone Restore Services offered by Franchisor and its Affiliates and other COIT Franchisees.

2. GRANT OF LICENSE

A. As part of the Franchised Business governed by the Franchise Agreement, Franchisor hereby grants Franchisee the right and license to use the Marks in connection with the provision of Stone Restore Services to customers located within the Territory during the term of the Franchise Agreement, subject to all the provisions of this addendum and the Franchise Agreement. Franchisee's rights in the Territory and Franchisor's reserved rights in the Territory remain as set forth in the Franchise Agreement.

B. This addendum will expire concurrently with the Franchise Agreement on the Expiration Date thereof.

C. Franchisee acknowledges that Franchisor may, and specifically reserves the right to, in its Business Judgment, develop and adopt a separate brand for the Stone Restore Services. Accordingly, Franchisor may require Franchisee to adopt and use Separate Marks to identify its Stone Restore Services, and to establish and maintain a separate business entity to offer and provide the Stone Restore Services.

3. TRAINING, CERTIFICATIONS AND LICENSES

A. Training. The Designated Principal of Franchisee, and the individual who will manage the Stone Restore Services for the Franchised Business, must attend and successfully complete Franchisor's initial training program for Stone Restore Services before Franchisee may offer or provide Stone Restore Services. This training is in addition to the initial training required by the Franchise Agreement. If in the future new personnel of the Franchised Business require this training, Franchisee may send them to subsequently held sessions of the initial Stone Restore Services training subject to its availability and the payment of the then-current initial training fees charged by Franchisor, which will not exceed $3,500 per person. Additional optional or mandatory training programs for Stone Restore Services shall be subject to the terms of the Franchise Agreement. Franchisee shall pay all travel and living expenses and compensation of its attendees at this training. Additional optional or mandatory training programs for Stone Restore Services shall be subject to the terms of the Franchise Agreement.

4. EQUIPMENT, FACILITIES AND INSURANCE

A. **Equipment and Facilities.** Franchisee must obtain and keep in good working order any equipment required, now or in the future, by Franchisor for providing Stone Restore Services. All such equipment must meet Franchisor's specifications and standards.

B. **Insurance.** Franchisee shall maintain all insurance required by Franchisor in connection with Stone Restore Services subject to all of the requirements of the Franchise Agreement for maintaining insurance coverage.

5. FEES

A. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee of $5,000. The initial franchise fee is payable in full and fully earned by Franchisor upon the execution of this addendum. If the Franchise Agreement, or any predecessor franchise agreement between Franchisor and Franchisee, was executed before December 31, 2015, then the initial franchise fee required by this paragraph is waived.

B. **Royalties Generally.** Franchisee shall pay Franchisor a monthly Royalty on Gross Revenues generated from or in connection with Stone Restore Services at the rates provided in Section 5.C of this addendum, and in the manner and at the times provided in the Franchise Agreement. Gross Revenues earned from Stone Restore Services and Royalties paid thereon will not affect the Royalty rate payable under the Franchise Agreement (that is, they will not be taken into account for purposes of Section 10.B of the Franchise Agreement in calculating the applicable Royalty percentage rate payable under the Franchise Agreement on Gross Revenues attributable to other aspects of the Franchised Business, and are not credited towards any of the "incentive benchmarks" in Section 10.B(2) of the Franchise Agreement). Because the Royalty rate differs on Gross Revenues generated by different types of services and sales, Franchisee shall report Gross Revenues and maintain its books and records such that Gross Revenues attributable to different types of services and sales can be readily identified and calculated. Without limiting the foregoing, all reports accompanying Royalty payments must subtotal each category of service rendered or sale made as to which a different Royalty rate applies, and must otherwise be presented in the form and manner required by Franchisor.

C. **Royalty Rates.** The Royalty rate for Gross Revenues from Stone Restore Services is 7% unless the Franchisee is not in Good Standing then the Royalty rate is 8%.

D. **Branding And Marketing Fund Contribution.** Franchisee shall pay a Fund Contribution on Gross Revenues from Stone Restore Services as provided in Section 10.C of the Franchise Agreement.

6. MARKETING COLLATERAL AND TARGETED MARKETING

Franchisor may offer advertising and marketing collateral materials for use in promoting Stone Restore Services and Franchisee shall pay for such materials ordered at Franchisor's then-current rates. Franchisor may also make available to Franchisee data base marketing specific to a particular geographic area or client base and if Franchisee desires to receive data base marketing targeted to its geographic area or client base, it shall pay for such marketing on a "Cost+10+10+" basis (Franchisor's cost for producing the marketing plus another 10% of cost for overhead and another 10% of cost for profit).

7. SUCCESSOR FRANCHISE

Franchisee's rights and Franchisor's obligations under this addendum terminate at the Expiration Date of the Franchise Agreement. Nothing in this addendum gives Franchisee any right to renew this addendum for an additional term, but if Franchisor grants Franchisee a Successor Franchise under Section 15 of the Franchise Agreement, then, at Franchisee's option, Franchisor shall also grant Franchisee a Successor Stone Restore Addendum for the Territory, also for a ten-year term to commence upon the Expiration Date of the Franchise Agreement and run concurrently with Franchisee's Successor Franchise. The award of a

Successor Franchise will be in Franchisor's Business Judgment and subject to the conditions of Section 15.A(2) of the Franchise Agreement. A Successor Stone Restore Addendum will be granted on the terms of Franchisor's then-current Stone Restore Addendum (which may materially differ, in economic and other aspects, from this addendum and its requirements), but Franchisee will not be required to pay another initial franchise fee (although Franchisee will be required to pay a Successor Franchise Fee in consideration of Franchisor's grant of the Successor Franchise). Franchisee has no right to and is not eligible for a Successor Stone Restore Addendum unless Franchisee requests and is granted a Successor Franchise.

8. EFFECT OF ADDENDUM

This addendum is an integral part of the Franchise Agreement and is subject to and will be interpreted and enforced according to the provisions of the Franchise Agreement, including but not limited to those requiring adherence to Franchisor's Operating Manual, standards, specifications and policies. To the extent that any part of the Franchise Agreement conflicts with the terms of this addendum, the terms of this addendum control. A default under this addendum will be deemed a default under the Franchise Agreement, including any default in any payment obligation hereunder. Except as otherwise expressly modified by this addendum or a prior written addendum, all provisions of the Franchise Agreement remain in full force and effect.

9. ENTIRE AGREEMENT

This addendum, together with the Franchise Agreement and any prior written addenda thereto (collectively, the "Franchise Documents"), constitute the entire agreement between the parties with respect to the subject matter hereof. All prior discussions, negotiations, and representations concerning such subject matter are superseded by the Franchise Documents. This addendum may only be amended by a written instrument signed by the parties.

The parties are signing this addendum on the dates below.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:____________________________	By:____________________________
Its:___________________________	Its:___________________________
Date:__________________________	Date:__________________________

EXHIBIT M. COIT Wood Floor Addendum

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT WOOD FLOOR ADDENDUM TO COIT FRANCHISE AGREEMENT

This addendum to the COIT Franchise Agreement is between COIT SERVICES, INC. ("Franchisor") and __________________________ ("Franchisee").

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Services, Inc. Franchise Agreement dated ____________ for the operation of a COIT Franchise (the "Franchised Business") offering various cleaning services to the public in a prescribed territory (the "Territory") described in Exhibit A to the Franchise Agreement.

B. Franchisor has developed a system for refinishing, repairing, and restoring, which includes certain processes for cleaning, refinishing, coating, and maintaining wood surfaces used for residential, commercial, and sports floors (the "Wood Floor Services") under the service marks COIT, COIT FLOORRENEW, and FLOORRENEW.

C. The Franchise Agreement does not currently authorize Franchisee to offer Wood Floor Services.

D. Franchisor is offering existing franchisees the opportunity to provide Wood Floor Services as part of their COIT Franchises if they are qualified to do so according to Franchisor's standards and they agree to the terms and conditions in this addendum.

E. Franchisee has qualified or agrees to become qualified to provide Wood Floor Services and wishes to enter into this addendum and abide by its terms in the operation of the Franchised Business.

Therefore the parties hereby amend the Franchise Agreement as follows:

1. DEFINED TERMS

The definition of capitalized terms used but not defined in this addendum are defined in the Franchise Agreement. The following terms are defined below:

A. "Authorized Products and Services" and "Mandatory Products and Services" include, in addition to the products and services listed in the Franchise Agreement, Wood Floor Services.

B. "Gross Revenues" means, in addition to and without limiting the definition in the Franchise Agreement, all money and other consideration Franchisee receives from the sale of Wood Floor Services, regardless of whether the services are performed at the customer premises or off-site, and including money and consideration received for services performed by a subcontractor or other third-party provider.

C. "Marks" specifically includes the marks COIT, COIT FLOORRENEW, and FLOORRENEW.

D. "Separate Marks" are trademarks, service marks, trade names, trade dress, and other commercial symbols, other than the COIT, COIT FLOORRENEW, FLOORRENEW and other Marks currently being used by Franchisor or its franchisees, that Franchisor may acquire or adopt and use in the future for the sole and specific purpose of identifying the Wood Floor Services offered by Franchisor and its Affiliates and other COIT Franchisees.

2. GRANT OF LICENSE

A. As part of the Franchised Business governed by the Franchise Agreement, Franchisor hereby grants Franchisee the right and license to use the Marks in connection with the provision of Wood Floor Services to customers located within the Territory during the term of the Franchise Agreement, subject to all the provisions of this addendum and the Franchise Agreement. Franchisee's rights in the Territory and Franchisor's reserved rights in the Territory remain as set forth in the Franchise Agreement.

B. This addendum will expire concurrently with the Franchise Agreement on the Expiration Date thereof.

C. Franchisee acknowledges that Franchisor may, and specifically reserves the right to, in its Business Judgment, develop and adopt a separate brand for the Wood Floor Services. Accordingly, Franchisor may require Franchisee to adopt and use Separate Marks to identify its Wood Floor Services, and to establish and maintain a separate business entity to offer and provide the Wood Floor Services.

3. TRAINING, CERTIFICATIONS AND LICENSES

A. Training. The Designated Principal of Franchisee, and the individual who will manage the Wood Floor Services for the Franchised Business, must attend and successfully complete Franchisor's initial training program for Wood Floor Services before Franchisee may offer or provide Wood Floor Services. This training is in addition to the initial training required by the Franchise Agreement. There is no fee for the initial training for Wood Floor Services—Franchisor shall provide and pay for the instructors, training facilities, and training materials, if in the future new personnel of the Franchised Business require this training, Franchisee may send them to subsequently held sessions of the initial Wood Floor Services training subject to its availability and the payment of the then-current initial training fees charged by Franchisor, which will not exceed $3,500 per person. Additional optional or mandatory training programs for Stone Restore Services shall be subject to the terms of the Franchise Agreement. Franchisee shall pay all travel and living expenses and compensation of its attendees at this training. Additional optional or mandatory training programs for Wood Floor Services shall be subject to the terms of the Franchise Agreement.

4. EQUIPMENT, FACILITIES AND INSURANCE

A. **Equipment and Facilities.** Franchisee must obtain and keep in good working order any equipment required, now or in the future, by Franchisor for providing Wood Floor Services. All such equipment must meet Franchisor's specifications and standards.

B. **Insurance.** Franchisee shall maintain all insurance required by Franchisor in connection with Wood Floor Services subject to all of the requirements of the Franchise Agreement for maintaining insurance coverage.

5. SUPPLIES

A. Supplier Approval. Franchisee shall purchase all supplies and other products, materials, and services required for the operation of the Franchised Business solely from suppliers (including manufacturers, distributors, wholesalers and brokers) who have been approved or designated by Franchisor. A list of Approved Suppliers is contained in the Operations Manual.

6. FEES

A. **Initial Franchise Fees.** There is no initial fee.

B. **Royalties Generally.** Franchisee shall pay Franchisor a monthly Royalty on Gross Revenues generated from or in connection with Wood Floor Services at the rates provided in Section 6.C of this addendum, and in the manner and at the times provided in the Franchise Agreement. Gross Revenues earned from Wood Floor Services and Royalties paid thereon will not affect the Royalty rate payable under the Franchise Agreement (that is, they will not be taken into account for purposes of Section 10.B of the Franchise Agreement in calculating the applicable Royalty percentage rate payable under the Franchise Agreement on Gross Revenues attributable to other aspects of the Franchised Business, and are not credited towards any of the "incentive benchmarks" in Section 10.B(2) of some prior Franchise Agreements). Because the Royalty rate differs on Gross Revenues generated by different types of services and sales, Franchisee shall report Gross Revenues and maintain its books and records such that Gross Revenues attributable to different types of services and sales can be readily identified and calculated. Without limiting the foregoing, all reports accompanying Royalty payments must subtotal each category of service rendered or sale made as to which a different Royalty rate applies, and must otherwise be presented in the form and manner required by Franchisor.

C. **Royalty Rates.** The Royalty rate for Gross Revenues from Wood Floor Services is 7% unless the Franchisee is not in Good Standing then the Royalty rate is 8%

D. **Branding and Marketing Fund Contribution.** Franchisee shall pay a Fund Contribution on Gross Revenues from Wood Floor Services as provided in Section 11.2 of the Franchise Agreement.

7. MARKETING COLLATERAL AND TARGETED MARKETING

Franchisor may offer advertising and marketing collateral materials for use in promoting Wood Floor Services and Franchisee shall pay for such materials ordered at Franchisor's then-current rates. Franchisor may also make available to Franchisee data base marketing specific to a particular geographic area or client base and if Franchisee desires to receive data base marketing targeted to its geographic area or client base, it shall pay for such marketing on a "Cost+10+10+" basis (Franchisor's cost for producing the marketing plus another 10% of cost for overhead and another 10% of cost for profit).

8. SUCCESSOR FRANCHISE

Franchisee's rights and Franchisor's obligations under this addendum terminate at the Expiration Date of the Franchise Agreement. Nothing in this addendum gives Franchisee any right to renew this addendum for an additional term, but if Franchisor grants Franchisee a

Successor Franchise under Section 15 of the Franchise Agreement, then, at Franchisee's option, Franchisor shall also grant Franchisee a Successor Wood Floor Addendum for the Territory, also for a ten-year term to commence upon the Expiration Date of the Franchise Agreement and run concurrently with Franchisee's Successor Franchise. The award of a Successor Franchise will be in Franchisor's Business Judgment and subject to the conditions of Section 15.A(2) of the Franchise Agreement. A Successor Wood Floor Addendum will be granted on the terms of Franchisor's then-current Wood Floor Addendum (which may materially differ, in economic and other aspects, from this addendum and its requirements), but Franchisee will not be required to pay another initial franchise fee (although Franchisee will be required to pay a Successor Franchise Fee in consideration of Franchisor's grant of the Successor Franchise). Franchisee has no right to and is not eligible for a Successor Wood Floor Addendum unless Franchisee requests and is granted a Successor Franchise.

9. EFFECT OF ADDENDUM

This addendum is an integral part of the Franchise Agreement and is subject to and will be interpreted and enforced according to the provisions of the Franchise Agreement, including but not limited to those requiring adherence to Franchisor's Operating Manual, standards, specifications and policies. To the extent that any part of the Franchise Agreement conflicts with the terms of this addendum, the terms of this addendum control. A default under this addendum will be deemed a default under the Franchise Agreement, including any default in any payment obligation hereunder. Except as otherwise expressly modified by this addendum or a prior written addendum, all provisions of the Franchise Agreement remain in full force and effect.

10. ENTIRE AGREEMENT

This addendum, together with the Franchise Agreement and any prior written addenda thereto (collectively, the "Franchise Documents"), constitute the entire agreement between the parties with respect to the subject matter hereof. All prior discussions, negotiations, and representations concerning such subject matter are superseded by the Franchise Documents. This addendum may only be amended by a written instrument signed by the parties.

The parties are signing this addendum on the dates below.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:______________________________	By:______________________________
Its:___________________________	Its:___________________________
Date:___________________________	Date:___________________________

EXHIBIT N. COIT HOSTING SERVICE AGREEMENT

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT HOSTING SERVICES AGREEMENT

This agreement is entered into by and between COIT SERVICES, INC. ("Franchisor" or "COIT") and ______________ ("Franchisee").

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Franchise Agreement dated ________________ for the operation of a COIT Franchise in a prescribed territory (the "Territory") described on Exhibit A to the Franchise Agreement.

B. Franchisor has developed a proprietary computer application called the "COIT Order Entry System," or "COES," for use in the operation of a COIT Franchise.

C. Franchisor is in the business of offering data hosting and related services; and Franchisee is the operator and owner and of a COIT Franchise needing to have hosted data used by the COIT Order Entry System in the running of the Franchise business.

D. Franchisee wishes to retain the services of Franchisor to host the COES Data on COIT's servers and provide other related services.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises, mutual covenants and agreements herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Services. COIT shall provide hosting and related services to Franchisee in accordance with the terms of this Agreement. The hosting services to be provided by COIT are described as set out in Schedule "A" attached hereto and incorporated into this Agreement (hereinafter referred to as the "Services").

2. Consideration

(a) COIT reserves a right to charge Franchisee a fee for hosting and related services upon 60 days.

(b) COIT shall invoice the Franchisee for the Services on a monthly basis and in accordance with Schedule "A". Any payment which is not made within thirty (30) days after the date of the invoice shall be deemed to be overdue. Interest on overdue accounts shall accrue at one and half percent (1.5%) percent per month or eighteen (18%) percent per annum.

3. Term of this Agreement

(a) The term of this Agreement shall commence on the date of this Agreement and shall continue for successive one year periods, which shall automatically renew under the same terms and condition set forth herein without further documentation being required, subject to COIT's rights of revision as described below, and unless and until either party terminates the Agreement in accordance with section 15 herein (the "Term").

(b) COIT reserves the right to revise the Fee at any time during the Term upon ten (10) business days' notice to Franchisee of such proposed revisions, such revisions to take effect on the eleventh day after such notice is given ("Effective Date") as defined in section 18. If such proposed revisions are unacceptable to Franchisee, Franchisee may terminate this Agreement pursuant to section 15. In the event that Franchisee continues to use the Services after the Effective Date, the Franchisee is deemed to have accepted the revisions as proposed in the notice of revision.

4. **Support Services.** COIT shall provide technical and support services ("Support Services") to Franchisee on a normal business hours basis via telephone hotline support, however COIT's Support Services shall be limited to providing matters pertaining to COIT's servers, Internet connection, COIT's corporate policies and this Agreement. COIT does not provide technical support for any third party software of any kind, downloaded from the Internet or otherwise acquired, and incorporated by the Franchisee into the Server.

5. Third Party Software Prohibited

(a) Franchisee is strictly prohibited from installing any third party software on COIT's servers without the express written authorization of COIT.

(b) In the event that the authorized third party software disrupts COIT's server, COIT shall have the right to temporarily disable the software until the problem can be resolved.

(c) In the event that the Franchisee installs third party software on COIT's servers without the express written authorization of COIT, COIT shall have the right to terminate the Services without notice pursuant to section 15 herein.

6. Disk Space. COIT will provide the Franchisee with hard disk storage space for its COES data. The Franchise must store all other non-COES files on their own computer equipment or cloud-based storage. COIT may delete any non-COES files at their discretion and without notice to the Franchise.

7. Security. The Franchisee shall make best efforts to prevent unauthorized access to the COES servers. This includes among other things using strong passwords that expire at least every 180 days.

8. Back-Up Data and Disaster Recovery

(a) COIT shall back up the COES Server and Franchisee's data daily and retain those back-ups for 28 days.

(b) In the event that Franchisee's data is lost from Franchisee's servers, COIT shall restore the backup data to Franchisee's servers to the extent that it is reasonably possible. Franchisee may, at its own cost and expense, institute and maintain alternative Content backup locations.

(c) COIT shall not be responsible for Content that cannot be recovered or restored due to corruption, fire or any other disasters or events not within COIT's control.

9. Franchisee Access

(a) COIT shall provide Franchisee the ability to access data on the COES server.
(b) Access will be provided 24 hours a day, seven days a week except during maintenance periods.

(c) Notification of maintenance periods will be three days in advance of the period unless the maintenance is deemed an emergency.

10. Content

(a) The Franchisee acknowledges and agrees that it has sole responsibility and obligation to ensure that all content inputted or provided by the Franchisee to COIT for the performance of the Services hereunder or otherwise included in the COES Server (the "Content") is in compliance with applicable law. Franchisee shall be solely liable for any and all claims, liability, breaches or violations of or under said law including but not limited to violations or infringement of copyright ,trademark, privacy other rights arising from or relating to Content and any use, misappropriation, conversion, or storage thereof.

(b) The Franchisee acknowledges and agrees that COIT may elect at its sole discretion to monitor the Content. COIT shall have the right, but not the obligation, to remove Content which is deemed, in COIT's sole discretion, harmful, offensive, in violation of any provision of this Agreement or breaches any law.

(c) The Franchisee agrees to indemnify and save harmless COIT from and against all losses, damages, actions or causes of action, suits, claims, demands, penalties and interest arising in connection with or out of any such Content inputted or provided by the Franchisee.

11. Compliance with the Law

(a) The Franchisee acknowledges and agrees that COIT may elect at its sole discretion to monitor the activities of the Franchisee on its COES servers. Franchisee agrees to use the Services and the COES Servers for legal purposes only. In the event that COIT becomes aware or reasonably believes, in its sole discretion, that the COES Server is being used for illegal purposes, COIT shall be entitled to immediately terminate the Agreement and the Services without notice in addition to any remedies to which it may be entitled under law.

(b) The Franchisee agrees to indemnify and save harmless COIT from and against all losses, damages, actions or causes of action, suits, claims, demands, penalties and interest arising in connection with or out of any illegal use of the Services or the Server.

12. Representations, Warranties and Indemnifications

(a) COIT represents and warrants to the Franchisee that:

(i) It has the right and capacity to enter into this Agreement and fully perform all of its obligations hereunder;

(ii) it shall use commercially reasonable efforts to perform the Services as described in Schedule "A" attached hereto (except to the extent the Services modified by the parties from time to time by mutual written agreement) and shall provide such Services in a professional manner consistent with industry standards.

(iii) COIT assumes no liability for any damage to, or loss of, any Content resulting from any cause other than the negligence or willful misconduct of COIT

(iv) OTHER THAN THE EXPRESS WARRANTIES STATED ABOVE, COIT MAKES NO OTHER REPRESENTATIONS OR WARRANTIES HEREUNDER OF ANY KIND, EITHER EXPRESS OR IMPLIED, IN RELATION TO THE SERVICES, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL COIT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL OR CONSEQUENTIAL OR INCIDENTAL DAMAGES INCLUDING BUT NOT LIMITED TO LOSS OF ANTICIPATED PROFITS, LOSS OF REVENUE OR LOSS OF DATA OR CONTENT, OR AS A RESULT OF ANY INTERRUPTION OF SERVICE.

(b) Franchisee Represents and warrants to COIT that:

(i) It has the right and capacity to enter into this Agreement and fully perform all of its obligations hereunder;

(ii) All Franchisee Content provided hereunder shall be wholly original to the Franchisee or the Franchisee has acquired the necessary rights from third parties to contribute such Franchisee Content and include it in the Server, and Franchisee Content shall not violate any laws of any country and shall not infringe any other party's copyright, patent, trademark or other intellectual property right.

(iii) Franchisee shall not, nor shall it allow, authorize or assist any third party to, use the COES Server for any illegal purpose whatsoever.

(c) Each of the Parties hereto agree to indemnify and save harmless the other, and any of its respective successors, licensees and assigns, from any and all losses, costs, liabilities, damages and expenses (including reasonable lawyers' fees) resulting any breach of any representation, warranty and/or covenant under this Agreement.

13. Termination

(a) Either party may terminate this Agreement at any time on sixty (60) days written notice to the other.

(b) Either party may terminate this Agreement in the event the other party is in material breach of any provision of this Agreement upon ten (10) business days' prior written notice, unless the party receiving notice corrects the default within such ten business (10) day period.

(c) Notwithstanding the forgoing, pursuant to sections 5, 13 and 14, COIT can immediately terminate this Agreement and withdraw the Services in the event that in the sole discretion of COIT, it determines that:

(i) the Franchisee is using or allowing, authorizing or assisting the COES Server to be used for illegal purposes; or

(ii) the Franchisee Content is in breach of any law or any right of any third party, including but not limited to any right of copyright, trademark, or other property right of any person or entity; or

(iii) the Franchisee downloads or installs third party software to its COES Server without the express written authorization of COIT.

14. Notice. Any notice required or permitted to be given hereunder shall be in writing and shall be deemed given (i) when delivered personally to any officer of the party being notified; or (ii) on the third business day after being sent by e-mail, registered or certified mail, postage prepaid, facsimile telecopier, addressed as follows:

To the Franchisee: [Contact Name]
Franchise
Name
[Address]
[Phone & Fax Number]

To COIT: Brent
Jenkins COIT
Services, Inc.
897 Hinckley Rd
Burlingame, CA 94010
650-697-5471

15. Independent Contractors. COIT and Franchisee are independent contractors and neither shall act as the other's agent, or be deemed an agent or employee of the other, nor shall this Agreement be interpreted as creating a partnership or joint venture or otherwise.

16. Force Majeure. Neither party hereto shall be responsible for any losses or damages to the other occasioned by delays in the performance or non-performance of any of said party's obligations when caused by Acts of God, strike, acts of war, inability of supplies or material or labor or any other cause beyond the reasonable control of the said party.

17. Severability. In the event any portion of this Agreement is deemed to be invalid or unenforceable, such portion shall be deemed severed and the parties agree that the remaining portions of this Agreement shall remain in full force and effect.

18. Assignment. Neither party may assign or otherwise transfer this Agreement without the written consent of the other party. This Agreement shall enure to the benefit of and bind the parties hereto and their respective legal representatives, successors and assigns.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California in the United States of America.

20. Entire Agreement. This Agreement, including the recitals and Schedules, sets forth the entire agreement between the parties with respect to the subject matter hereof and, subject to COIT's rights of revision as set out in subsection 3(b) herein, the Agreement shall be amended only by a writing signed by the parties.

21. Counterparts. This Agreement may be executed in counterparts in the same form and such parts so executed shall together form one original document and be read and construed as if one copy of the Agreement had been executed.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective ______________________________.

Franchisor: COIT Services, Inc.

____
By: _____________________________________ It's: ____________

Franchisee: ________________

____
By: ____ It's: _________

Schedule A – to the Hosting Services Agreement dated ____________________________ between COIT Services, Inc. ("COIT") and Franchise Legal Name. ("Franchisee")

SERVICES

1. Hosting of COES Data and Software on COIT's servers either locally or in the AWS cloud

2. Daily Back-up of Franchisee data

3. Requires a current COIT Software License & Support Agreement

EXHIBIT O. RIGHT OF FIRST REFUSAL

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

RIGHT OF FIRST REFUSAL

This agreement is between COIT SERVICES, INC., a California corporation ("Franchisor"), and ______________________________________ ("Franchisee").

PREAMBLE:

A. Pursuant to a franchise agreement dated ______________________ (the "Franchise Agreement"), Franchisor licensed Franchisee to operate a COIT Franchise.

B. Franchisee intends to purchase an additional COIT Franchise within two years after the Effective Date of this agreement;

THEREFORE the parties agree as follows:

1. Grant of Right of First Refusal. Franchisor hereby grants Franchisee a right of first refusal (the "Right of First Refusal") to purchase a COIT Franchise upon the terms and conditions in this agreement.

2. Right of First Refusal Fee. Franchisee shall pay Franchisor a non-refundable fee ("Right of First Refusal Fee") of $___________(10% of Franchisor's current initial franchise fee for a COIT Franchise). Franchisor will subtract this amount from the initial franchise fee Franchisee must pay to exercise this Right of First Refusal. However, if Franchisee does not exercise this Right of First Refusal before it expires, Franchisor will be entitled keep the Right of First Refusal Fee without further obligation to Franchisee.

3. Territory. The Territory of the COIT Franchise to be purchased upon the exercise of this Right of First Refusal is described on Exhibit A to this agreement (the "Territory").

4. Exercise of Right of First Refusal. If a bona fide prospective franchisee selects a franchise territory that includes all or any part of the Territory referenced in section 3, Franchisor shall notify Franchisee by mail or overnight delivery (the "Notice"). Franchisee can exercise this Right of First Refusal only by paying Franchisor its then-current initial franchise fee for a COIT Franchise (less the amount of the Right of First Refusal Fee already paid), and two signed copies of Franchisor's then-current franchise agreement and ancillary contracts, within thirty days after Franchisee's receipt of the Notice. A "bona fide prospective franchisee" is one who has shown a definite interest, as determined by Franchisor in its Business Judgment, in purchasing a COIT Franchise in all or any part of the Territory.

5. Failure to Exercise Right of First Refusal. If Franchisor does not receive the initial franchise fee and the franchise contracts executed by Franchisee within thirty days after Franchisee received the Notice, then this Right of First Refusal will automatically terminate at the end of the thirty-day period and Franchisor will have the right to offer or sell another COIT Franchise anywhere in the Territory to the bona fide prospective franchisee or to any other party, without Franchisee's consent and without any further notice, obligation or liability to Franchisee.

6. Good Standing. Franchisee can exercise the Right of First Refusal only when Franchisee is in Good Standing, as that term is defined in the Franchise Agreement.

7. Expiration. This Right of First Refusal will automatically expire at 5:00 p.m. Pacific Time on the second anniversary of the Effective Date.

8. Separate Records. By signing this agreement, Franchisee acknowledges Franchisor's need to compile and maintain accurate sales records for each COIT Franchise in the COIT Network. For this reason, Franchisee shall maintain separate sales records and reports for each COIT Franchise that Franchisee owns.

9. Mediation/Arbitration. Except as provided in the Franchise Agreement, all Disputes between Franchisor and Franchisee (including claims against their Affiliates, officers, directors, agents, employees, licensors, licensees, independent contractors or consultants) that are not resolved within one month after either party receives written notice thereof from the other, must be resolved by mediation or arbitration in the following manner:

(a) Before commencement of arbitration as provided below, any Dispute must be submitted to non-binding mediation to the San Francisco, California office of Judicial Arbitration Mediation Services ("JAMS") on demand of either party. The mediation proceeding must be conducted in San Francisco, California in accordance with JAMS's then-current Commercial Mediation Rules. If JAMS has ceased to exist, mediation must be conducted through the San Francisco office of the American Arbitration Association in accordance with its then-current rules for commercial mediation.

(b) If mediation concludes without a resolution of the Dispute under a binding settlement agreement executed by the parties, the Dispute shall not be litigated, but either party may initiate binding arbitration of the Dispute. The arbitration proceeding must be submitted to the San Francisco, California office of JAMS. The arbitration proceeding must be conducted in San Francisco, California in accordance with JAMS's then-current Commercial Arbitration Rules. If JAMS has ceased to exist, the arbitration must be conducted through the San Francisco Office of the American Arbitration Association in accordance with its then-current rules for commercial arbitration.

(c) This agreement for mediation and arbitration will be effective and binding notwithstanding the expiration or termination of this agreement. Any Dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. No arbitration proceeding may be consolidated with any other arbitration proceeding involving any other Person, except for Affiliates of the parties to the arbitration.

(d) For purposes of this Article, the term "Dispute" means a claim, dispute, disagreement, controversy or other matter pertaining to the formation, execution, breach, interpretation, validity or enforceability of all or any part of this agreement or any other agreement between Franchisor and Franchisee that is related to this agreement.

10. WAIVER OF JURY TRIAL. EACH PARTY AND ITS PRINCIPALS HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

11. WAIVER OF PUNITIVE DAMAGES. EACH PARTY AND ITS PRINCIPALS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE

RIGHT TO OR CLAIM OF ANY MULTIPLE, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

12. Entire Agreement. This agreement and the attached exhibits constitute the entire agreement between the parties with respect to the Right of First Refusal. Any and all discussions, negotiations, commitments or understandings relating to the Right of First Refusal that occurred before the Effective Date are hereby superseded and merged into this agreement.

13. Effect. This agreement is binding upon and inures to the benefit of each of the parties and its respective representatives, heirs, successors and assigns.

14. Governing Law. Except to the extent governed by the U.S. Trademark Act and other applicable federal laws, the laws of the state in which the Franchise Premises is located (excluding Franchise Laws, unless the jurisdictional requirements thereof are met independently without reference to this section) govern all aspects of this agreement without reference to conflict of laws principles.

15. Jurisdiction and Venue. All suits, actions and other judicial or arbitration proceedings between Franchisee and any Franchisor-Related Person must be filed only in the federal or state judicial district in which Franchisor has its principal place of business (presently San Francisco, California). Each party and its Principals hereby irrevocably submits to the jurisdiction of, and consents and agrees that venue is proper in, all courts included within the state court system of California and all courts of the United States of America sitting within the State of California (including all United States District Courts within the State of California), and hereby irrevocably waives any right they may have to transfer or change the venue in any proceedings filed in those courts. Notwithstanding the foregoing sentences of this paragraph, either party may sue the other party in the jurisdiction in which the defending party's principal office is located.

16. Cost of Enforcement or Defense. If Franchisor or Franchisee is required to enforce this agreement in an arbitration or judicial proceeding or appeal thereof, the party prevailing in the proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal expenses, arbitration administrative charges, arbitrators' compensation, and any other costs and expenses, whether incurred before, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing, or proceeding to enforce the obligations of this agreement.

17. Headings. The section headings in this agreement are for reference purposes only and are not intended to affect the meaning or interpretation of any provision of this agreement.

18. Modification. The terms of this agreement may be modified or amended only by a written instrument signed by all parties.

19. Assignment. Franchisee acknowledges that the rights granted by Franchisor under this agreement are personal to Franchisee. Accordingly, Franchisee shall not assign this agreement or the Right of First Refusal to any Person (even if Franchisee

Transfers its COIT Franchise) without Franchisor' prior written consent, which Franchisor may withhold for any reason. Franchisor may only assign this agreement to a party who agrees to assume all of Franchisor' obligations to its franchisees in connection with a merger or a sale of substantially all of Franchisor' assets.

20. Severability. If any provision of this agreement, in whole or in part (or the application of any provision to a specific situation), is held to be invalid or unenforceable by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, such invalidity will be limited to such specific provision or portion thereof (or to such situation), and this agreement will be construed and applied in such manner as to minimize such unenforceability. All other provisions of this agreement will otherwise remain in full force and effect.

21. Defined Terms. Capitalized terms used but not defined in this agreement are used as defined in the Franchise Agreement.

22. Notices. All notices, demands and other communications between the parties must be in writing, must be addressed as provided in this section, must be made by either (i) personal delivery, (ii) certified mail, postage prepaid, return receipt requested, or (iii) overnight delivery service with proof of delivery, and will be effective upon receipt or refusal thereof. All notices, demands and other communications must be addressed as follows:

(a) if to Franchisor:

COIT SERVICES, INC.
897 Hinckley Road
Burlingame, California 94010
Attention: Attention: Doug Kitzmiller, CFO

or to such other person or address as Franchisor may furnish to Franchisee in writing;

(b) if to Franchisee:

____

____

____

or to such other person or address as Franchisee may furnish to Franchisor in writing.

The parties are signing this agreement on the dates indicated below. The "Effective Date" of this agreement is the date it is signed by Franchisee.

COIT SERVICES, INC.	BUSINESS ORGANIZATION FRANCHISEE:
By:____________________	By:____________________
Title:____________________	Title:____________________
Date:____________________	Date:____________________

INDIVIDUAL FRANCHISEE:	INDIVIDUAL FRANCHISEE:
Signature	Signature
Print Name	Print Name
Date:____________________	Date:____________________

EXHIBIT A

TO

RIGHT OF FIRST REFUSAL

MAP OR DESCRIPTION OF TERRITORY

In the event of a discrepancy between the map of the Territory and the written description of the Territory, the written description controls. If any street, road or highway serves as a boundary of the Territory, the actual boundary is the centerline of the street, road, or highway, and only the land and structures within the boundary are included in the Territory.

The parties are signing this Exhibit A simultaneously with the Right of First Refusal to which it is attached.

COIT SERVICES, INC.	BUSINESS ORGANIZATION FRANCHISEE:
By:________________	By:________________
Title:________________	Title:________________
INDIVIDUAL FRANCHISEE:	**INDIVIDUAL FRANCHISEE:**
________________ Signature	________________ Signature
________________ Print Name	________________ Print Name

COIT®
CLEANING & RESTORATION

EXHIBIT P. CALL CENTER AND TELEMARKETING SERVICES ADDENDUM

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

CONTACT CENTER SERVICES ADDENDUM

This Addendum for Contact Center Services (the "Addendum") is between COIT SERVICES, INC. ("Franchisor" or "COIT") and _______________ ("Franchisee").

PREAMBLE:

PREAMBLE:

A. Franchisor and Franchisee are parties to a COIT Franchise Agreement dated ______________________ for the operation of a COIT Franchise in a prescribed territory (the "Territory") described on Exhibit A to the Franchise Agreement.

B. Franchisor has developed a Contact Center used to handle inbound and outbound calls to be used in the operation of a COIT Franchise.

C. Franchisor is offering call handling and related services; and Franchisee is the operator and owner and of a COIT Franchise needing to have calls answered and made in the running of the Franchise business.

D. Franchisee wishes to retain the services of Franchisor to make outbound calls and/or receive incoming calls.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises, mutual covenants and agreements herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Services

Franchisor shall serve as a contact center to handle inbound and/or outbound telemarketing calls for Franchisee. The services to be provided by COIT are described as set out in Schedule "A" attached hereto and incorporated into this Agreement (hereinafter referred to as the "Services").

2. Consideration

(a) In consideration for the Services provided, the Franchisee agrees to compensate COIT in accordance with the Fee Schedule as set out in Schedule "A", The Fees as stated in Schedule A are subject to an increase of up to 10% annually upon 60 days' Notice to Franchisee.

(b) COIT shall invoice the Franchisee for the Services on a monthly basis and in accordance with Schedule "A". Any payment which is not made within thirty (30) days after the date of the invoice shall be deemed to be overdue. Interest on overdue accounts shall accrue at one and half percent (1.5%) percent per month or eighteen (18%) percent per annum.

3. Term of this Agreement

(a) The term of this Agreement shall commence on the date of this Agreement and shall continue for successive one year periods, which shall automatically renew under the same terms and condition set forth herein without further documentation being required, subject to COIT's rights of revision as described below, and unless and until either party terminates the Agreement in accordance with section 14 herein (the "Term").

(b) COIT reserves the right to revise the Fee at any time during the Term upon ten (10) business days' notice to Franchisee of such proposed revisions, such revisions to take effect on the eleventh day after such notice is given ("Effective Date") as defined in section 14. If such proposed revisions are unacceptable to Franchisee, Franchisee may terminate this Agreement pursuant to section 14. In the event that Franchisee continues to use the Services after the Effective Date, the Franchisee is deemed to have accepted the revisions as proposed in the notice of revision.

4. Confidentiality

(a) COIT shall not disclose to any third party or use, except in connection with the performance of Services hereunder, any confidential information of the Franchisee's business ("Confidential Information") learned by COIT in the course hereof.

(b) Notwithstanding the forgoing, this confidentiality obligation shall not apply to any information which is already known to the public or in the event that COIT receives a validly issued administrative or judicial order, warrant or other process that requires the COIT to disclose all or part of the Confidential Information or is otherwise required to disclose any Confidential Information in order to comply with any law.

5. Compliance with the Law

(a) COIT will to the best of its abilities provide Services in compliance with all related laws. In the event that Franchisee receives any notice of violation relating to COIT's activities, Franchisor will immediately notify COIT of the violation.

(b) The Franchisee agrees to indemnify and save harmless COIT from and against all losses, damages, actions or causes of action, suits, claims, demands, penalties and interest arising in connection with or out of any illegal use of the Services.

6. Representations, Warranties and Indemnifications

(a) COIT represents and warrants to the Franchisee that:

(i) It has the right and capacity to enter into this Agreement and fully perform all of its obligations hereunder;

(ii) it shall use commercially reasonable efforts to perform the Services as described in Schedule "A" attached hereto (except to the extent the Services modified by the parties from time to time by mutual written agreement) and shall provide such Services in a professional manner consistent with industry standards.

(iii) OTHER THAN THE EXPRESS WARRANTIES STATED ABOVE, COIT MAKES NO OTHER REPRESENTATIONS OR WARRANTIES HEREUNDER OF ANY KIND, EITHER EXPRESS OR IMPLIED, IN RELATION TO THE SERVICES, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY AND/OR FITNESS FOR ANY PARTICULAR PURPOSE. IN NO EVENT SHALL COIT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL OR CONSEQUENTIAL OR INCIDENTAL DAMAGES INCLUDING BUT NOT LIMITED TO LOSS OF ANTICIPATED PROFITS, LOSS OF REVENUE OR LOSS OF DATA, OR AS A RESULT OF ANY INTERRUPTION OF SERVICE.

(b) Franchisee Represents and warrants to COIT that:

(i) It has the right and capacity to enter into this Agreement and fully perform all of its obligations hereunder;

(ii) All Franchisee Content provided hereunder shall be wholly original to the Franchisee or the Franchisee has acquired the necessary rights from third parties to contribute such Franchisee Content and include it in the Server, and Franchisee Content shall not violate any laws of any country and shall not infringe any other party's copyright, patent, trademark or other intellectual property right.

(iii) (iii) Franchisee shall not, nor shall it allow, authorize or assist any third party to, use the COES Server for any illegal purpose whatsoever.

(c) Each of the Parties hereto agree to indemnify and save harmless the other, and any of its respective successors, licensees and assigns, from any and all losses, costs, liabilities, damages and expenses (including reasonable lawyers' fees) resulting any breach of any representation, warranty and/or covenant under this Agreement.

7. Termination

(a) Either party may terminate this Agreement at any time on sixty (60) days written notice to the other.

(b) Either party may terminate this Agreement in the event the other party is in material breach of any provision of this Agreement upon ten (10) business days' prior written notice, unless the party receiving notice corrects the default within such ten business (10) day period.

(c) Notwithstanding the forgoing, pursuant to sections 4, 11 and 12, COIT can immediately terminate this Agreement and withdraw the Services in the event that in the sole discretion of COIT, it determines that:

(i) the Franchisee is using or allowing, authorizing or assisting the COES Server to be used for illegal purposes; or
(ii) the Franchisee Content is in breach of any law or any right of any third party, including but not limited to any right of copyright, trademark, or other property right of any person or entity; or
(iii) the Franchisee downloads or installs third party software to its COES Server without the express written authorization of COIT.

8. Notice

Any notice required or permitted to be given hereunder shall be in writing and shall be deemed given (i) when delivered personally to any officer of the party being notified; or (ii) on the third business day after being sent by registered or certified mail, postage prepaid, e-mails, facsimile telecopier, addressed as follows:

To the Franchisee: [Contact Name]
Franchise Name
[Address]
[Phone & Fax Number]

To Franchise Director
COIT Services, Inc.
897 Hinckley Rd
Burlingame, CA 94010
650-697-5471

9. Independent Contractors

COIT and Franchisee are independent contractors and neither shall act as the other's agent, or be deemed an agent or employee of the other, nor shall this Agreement be interpreted as creating a partnership or joint venture or otherwise.

10. Force Majeure

Neither party hereto shall be responsible for any losses or damages to the other occasioned by delays in the performance or non-performance of any of said party's obligations when caused by Acts of God, strike, acts of war, inability of supplies or material or labor or any other cause beyond the reasonable control of the said party.

11. Severability

In the event any portion of this Agreement is deemed to be invalid or unenforceable, such portion shall be deemed severed and the parties agree that the remaining portions of this Agreement shall remain in full force and effect.

12. Assignment

Neither party may assign or otherwise transfer this Agreement without the written consent of the other party. This Agreement shall endure to the benefit of and bind the parties hereto and their respective legal representatives, successors and assigns.

13. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California in the United States of America.

14. Entire Agreement

This Agreement, including the recitals and Schedules, sets forth the entire agreement between the parties with respect to the subject matter hereof and, subject to COIT's rights of revision as set out in subsection 3(b) herein, the Agreement shall be amended only by a writing signed by the parties.

15. Counterparts

This Agreement may be executed in counterparts in the same form and such parts so executed shall together form one original document and be read and construed as if one copy of the Agreement had been executed.

IN WITNESS WHEREOF the parties hereto have executed this Agreement ______________________________

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:______________________________	By:______________________________
Its:______________________________	Its:______________________________
Date:______________________________	Date:______________________________

Schedule A – to the Hosting Services Agreement dated ________________________________
Between COIT Services, Inc. ("COIT") and Franchise Legal Name. ("Franchisee")

Incoming Calls:
COST: $8.50 per call received to the Franchises Direct Inward Dialing (DID) Number.
Additional Requirements:
(a) Franchisee must also sign a COIT Hosted Software License & Support Agreement. There is no way to exit a COIT Hosted Software License & Support Agreement and return to a self-hosted COES system.

Outgoing Calls:
Preferred Customer Calls:
COST: $35 per booked work order
(a) Lead is defined as a successful call to a customer that results in a Sales or Price and Do stop being schedule in the company CRM, COES.

Callback Service Options – cost: 3% of completed revenue
Call back service consists of all types of Callbacks: CPC, NHO, RTO through COES Callback Module

Additional Contact Center Services:

Live Chat Service Option – cost: $25/lead generated

Social/Online Service Option – cost: $25/lead generated
Yelp, Angie's List, Google My Business, Google Local Service Adds

Web Order Mgmt Option – cost: $5 per web order
Web order review & entry

Online Review Response – Coming Soon
Google My Business, Facebook, Angie's List, Yelp

The franchisor reserves the right to add new services and pricing with a minimum of a 14-day notification.

COIT®
CLEANING & RESTORATION

EXHIBIT Q. E-MAIL HOSTING AGREEMENT

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

E-MAIL HOSTING AGREEMENT

This E-Mail Hosting Agreement (**Agreement**) is made and entered into by and between you ________________ ("**Customer**") and COIT Services, Inc. ("**Company**"), a California corporation.

9. WITNESSETH:

WHEREAS, Customer desires to engage Company to provide electronic mail services ("**E-Mail**") in accordance with the description set forth in Schedule A attached hereto.

NOW, THEREFORE, for the mutual consideration set forth herein, the adequacy of which is hereby acknowledged, Customer and Company, intending to be legally bound, hereby agree as follows:

1. SERVICES

1.1 License. Company grants to Customer a revocable, non-exclusive, non-transferable and limited license to use the E-Mail.

1.2 E-Mail Hosting. Company shall host the E-Mail, on the Company E-Mail server (.**Server**.), on a month/quarter/year to month/quarter/year basis.

1.3 User Availability. Company shall use commercially practical and reasonable efforts to make the E-Mail available to internet users approximately 24 hours per day and 7 days per week. No assurance is given regarding any minimum availability.

1.4 Response Time. Company shall use commercially practical and reasonable efforts to ensure acceptable response times for users accessing the E-Mail. However, no assurances are given regarding any minimum response time.

1.5 No E-Mail Back-Up. Once E-Mail is downloaded no back-up is maintained.

1.6 No Transaction Information. No transaction activity summary is maintained in connection with sending/receiving E-Mail.

1.7 Other Services. Unless separately agreed upon by the parties, the services provided by Company hereunder are expressly limited to E-Mail hosting only.

1.8 System Degradation. In the event there is system degradation, to protect Server and E-Mail, Company reserves the right in its sole discretion to temporarily or permanently filter or block the E-Mail.

2. PROPRIETARY RIGHTS

Company owns all right, title and interest (including copyright and other proprietary or intellectual property rights) to and in the Server, other Company facilities and Company internet sites. Customer shall unconditionally protect all items which Company has an ownership interest in from disclosure or use other than as expressly permitted by this Agreement. The parties hereto agree that the violation of this provision by Customer shall result in substantial and irreparable damage to Company for which damage a remedy at law shall not be adequate and Company shall be entitled to injunctive relief, both mandatory and restraining, in addition to any other rights and remedies of Company under this Agreement and at law or in equity.

3. NO DATA SECURITY

Internet data transmission is not secure. Company may use, copy, display, store, transmit, translate, rearrange or reformat, view and distribute the transmitted data of E-Mail for technical operation purposes. No assurance is given as to privacy/security of any data, in whole or in part.

4. SERVICE FEES

The price for E-Mail hosting is set forth in Schedule A. Fees are not refundable once paid. All invoices are due when issued. The Fees as stated in Schedule A are subject to an increase of up to 10% annually upon 60 days' Notice to Customer. An interest rate of one and one-half percent (1 1/2%) per month, or the maximum late payment charge permitted by applicable law, whichever is less, is charged upon any unpaid amounts that are in default. Access to the E-Mail and/or the hosting of the E-Mail may be suspended or terminated, without notice, at the option of Company, in the event payment is not timely made. Time is of the essence.

5. CUSTOMER RESPONSIBILITY

5.1 Liability/Loss. Customer shall be solely responsible for any liability, loss or damage in connection with use of the E-Mail by Customer.

5.2 Data Management. Customer shall be solely responsible for management of data stored on or transmitted by E-Mail. Such management includes, but is not limited to, backup and restoration of data.

5.3 Security. Customer shall be solely responsible to maintain any security procedures Customer deems appropriate, such as encryption of data, to protect Customer's information.

6. CUSTOMER WARRANTY

Customer warrants to Company that it shall not conduct the following in connection with the E-Mail:

a. Selling products or services that are unlawful in the location at which the content is posted or received;

b. Incorporating into the E-Mail any material, text, graphic, sound or animation in any form that, without limitation, may be obscene, defamatory, harassing, grossly offensive, malicious, or that actually or potentially infringes or misappropriates the copyright, trademark, proprietary or other intellectual property right of any person;

c. Posting any content that advocates, promotes or otherwise encourages violence against any governments, organizations, groups or individuals or which provides instruction, information or assistance in causing or carrying out such violence;

d. Posting any content that holds Company, its employees or shareholders up to public scorn or ridicule;

e. Introducing viruses, worms, harmful code, trojan horses on the internet, and/or using any software or device to interfere or attempt to interfere with the proper functioning of any server or other internet facilities;

f. Harassment, whether through language, frequency, or size of messages;

g. Sending E-Mail to any person who does not wish to receive it;

h. Sending unsolicited bulk mail messages ("**junk mail**" or "**spam**") which, in Company's sole judgment, is disruptive or generates a significant number of user complaints. This includes bulk-mailing of commercial advertising, informational announcements and political tracts;

i. Forwarding or otherwise propagating chain letters and pyramid schemes, whether or not the recipient wishes to receive such mailings;

j. Malicious email, such as "**mailbombing**" or flooding a user or site with very large or numerous pieces of email;�

k. Forging of header information; or

l. Collecting replies to messages sent from another Internet Service Provider where those messages violate this Agreement or the Acceptable Use Policy of that other provider.

7. INDEMNIFICATION

Customer agrees to indemnify, hold harmless and defend Company and its directors, officers, employees and agents from and against any action, claim, demand or liability, including reasonable attorneys. fees and costs, arising from or relating to the E-Mail or any acts or omissions of Customer.

8. DISCLAIMER

SERVICES PROVIDED BY COMPANY HEREUNDER ARE PROVIDED WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION OF LIABILITY

9.1 Limitation of Liability. IN NO EVENT SHALL COMPANY NOR ITS THIRD PARTY VENDORS BE LIABLE TO CUSTOMER FOR ANY DIRECT (EXCEEDING THE LESSER OF (A) THE AMOUNT ACTUALLY PAID TO COMPANY UNDER THE AGREEMENT, OR
10. (B) $1,000.00), INDIRECT, PUNITIVE, INCIDENTAL, SPECIAL, CONSEQUENTIAL, TANGIBLE OR INTANGIBLE DAMAGES CUSTOMER MAY INCUR IN CONNECTION WITH ITS USE OF THE E-MAIL, INCLUDING, BUT NOT LIMITED TO DAMAGES FOR LOST REVENUE, LOST PROFITS, LOST USE, LOST GOODWILL (OR SIMILAR FINANCIAL LOSS), ANY PAYMENT MADE TO A THIRD PARTY, BUSINESS INTERRUPTION, LOST INFORMATION OR DATA, COMPUTER INTERRUPTION, COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, LOSS AND DAMAGES RESULTED FROM INTERCEPTION OF THE E-MAIL BY THIRD PARTIES OR RESULTED FROM LEAVING THE E-MAIL VIA A LINKED E-MAIL, EVEN IF COMPANY SHALL HAVE BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES, OR FOR ANY CLAIM BY ANY OTHER PARTY.

9.2 Allocation of Risk. THIS LIMITATION OF DAMAGES PROVISION IS UNDERSTOOD TO BE AN ALLOCATION OF RISK BETWEEN THE PARTIES, WHICH IS COMPLETELY SEPARATE AND INDEPENDENT FROM ALL OTHER PROVISIONS OF THIS AGREEMENT.

10. TERM AND TERMINATION

10.1 Term. This Agreement shall be effective as of the Effective Date, the date the Franchisor signs this Agreement, and shall remain in force, unless otherwise terminated as provided herein.

10.2 Termination. Either party may terminate this Agreement upon prior written notice.

10.3 Survival. In the event of any termination of this Agreement, Sections 3, 4, 7 & 9 and any other section hereof which by its nature should survive, shall survive and continue in effect and shall inure to the benefit of and be binding upon the parties and their legal representatives, heirs, successors, and assigns.

11. GENERAL TERMS

11.1 Independent Contractor. The relationship between the parties hereto is not that of employment, agency, joint venture, partnership or any other relationship other than independent contractor only.

11.2 No Waiver. No delay or omission by Company hereto to exercise any right or power occurring upon any noncompliance or default by the other party with respect to any of the terms of this Agreement shall impair any such right or power or be construed to be a waiver thereof. The terms and conditions of this Agreement may be waived or amended only in writing and only by the party that is entitled to the benefits thereof. A waiver by either of the parties hereto of any of the covenants, conditions, or agreements to be performed by the other shall not be construed to be a waiver of any succeeding breach thereof or of any covenant, condition, or agreement herein contained (whether or not the provision is similar). Unless stated otherwise, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either party at law, in equity, or otherwise.

11.3 Governing Law, Jurisdiction & Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to the choice of law provisions thereof. Without limiting the arbitration provision herein, the parties hereto hereby consent to the jurisdiction of the federal and state courts having jurisdiction in San Mateo County, State of California, for any action that may be brought in connection with this Agreement.

11.4 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, any claim based upon a state or federal statute) will be settled by arbitration, before one arbitrator in accordance with the rules of the American Arbitration Association then in effect and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The arbitrator will be selected by the parties, from a panel of attorney arbitrators experienced with the computer industry. Any arbitration shall be held in Burlingame, California, at the offices of the American Arbitration Association. The language of arbitration shall be English. The arbitrator will have no authority to award damages not measured by the prevailing party's actual damages, and may not, in any event, make any relief, finding or award that does not conform to the terms and conditions of this Agreement. The parties shall share equally the costs of the arbitration and each party shall bear its own attorneys' fees unless otherwise expressly authorized in this Agreement. Either party, before or during or after any arbitration, may apply to a court having jurisdiction for a temporary, provisional or permanent order of relief to protect its interests. Prior to initiation of arbitration, the aggrieved party will give the other party written notice, in accordance with this Agreement, describing the claim and amount as to which it intends to initiate arbitration.

11.5 Severability. If any provision of this Agreement or any word, phrase, clause, sentence, or other portion thereof should be held to be unenforceable or invalid for any reason, then the remaining provisions of this Agreement shall remain in full effect, and such unenforceable or invalid provision or portion thereof shall be modified or deleted in such manner as to best reflect the commercial intent of parties as expressed herein and to render this Agreement as modified legal and enforceable to the maximum extent permitted under applicable laws.

11.6 Notices. Under this Agreement if one party is required or permitted to give notice to the other, such notice shall be deemed given either (a) when transmitted by facsimile; (b) two business days after depositing the notice in the U.S. mail, first-class postage prepaid, if the notice was sent to the last known address of the other party; or (c) when transmitted by E-Mail.

11.7 No Assignment. Customer may not, without the prior written consent of Company, assign, transfer, subcontract, or sublicense this Agreement or any right/obligation hereunder. Company may assign, transfer, subcontract, or sublicense this Agreement or any right/obligation hereunder.

11.8 Entire Agreement. Each party to this Agreement acknowledges that this Agreement constitutes the entire Agreement of the parties with regard to the subject matters hereof, that this Agreement supersedes all prior or contemporaneous agreements, discussions, or representations, whether oral or written, with respect to the subject matter hereof, and that this Agreement cannot be varied, amended, changed, waived, or discharged except by a writing signed by all parties hereto. Each party to this Agreement further acknowledges that no promises, representations, inducements, agreements, or warranties, other than those set forth herein, have been made to induce the execution of this Agreement by said party, and each party acknowledges that it has not executed this Agreement in reliance on any promise, representation, inducement, or warranty not contained herein.

11.9 Multiple Counterparts. This Agreement may be executed in several counterparts, all of which taken together shall constitute one single Agreement between the parties.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:______________________________	By:______________________________
Its:______________________________	Its:______________________________
Date:______________________________	Date:______________________________

11. E-MAIL HOSTING AGREEMENT: SCHEDULE A

Description of how the E-Mail is set up and operated:

Service Fees:

No set-up fee applies.

$8.50 per user, plus applicable taxes, duties or levies in connection with the services provided, payable the first day of each month for services thereof.

Charges are subject to changes to Company's standard rates or charges in effect at the time of each invoice.

Termination of Service:

In the event Customer terminates, it will not be billed for the next billing period, provided, however, the service fees previously paid will not be refunded.

In the event Company terminates, the service shall remain in effect for the paid period.

EXHIBIT R. CUSTOMER RELATIONSHIP MANAGMENTE (“CRM”) SOFTWARE AGREEMENT

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COIT®
CLEANING & RESTORATION

CUSTOMER RELATIONSHIP MANAGMENTE ("CRM") SOFTWARE AGREEMENT

This CRM Software Agreement ("**Agreement**") is made and entered into by and between you ________________ ("**Customer**") and COIT Services, Inc. ("**Company**"), a California corporation.

12. WITNESSETH:

WHEREAS, Customer desires to engage Company to provide Customer Relationship Management (CRM) services in accordance with the description set forth in Schedule A attached hereto.

NOW, THEREFORE, for the mutual consideration set forth herein, the adequacy of which is hereby acknowledged, Customer and Company, intending to be legally bound, hereby agree as follows:

1. SERVICES

1.1 License. Company grants to Customer a revocable, non-exclusive, non-transferable, and limited license to use the CRM.

1.2 Training. Company shall provide limited training on the basic use of the software. This may take the form of pre-recorded training or live training sessions.

1.3 User Availability. Company shall use commercially practical and reasonable efforts to make the CRM available to internet users approximately 24 hours per day and 7 days per week. No assurance is given regarding any minimum availability.

1.4 Response Time. Company shall use commercially practical and reasonable efforts to ensure acceptable response times for users accessing the CRM. However, no assurances are given regarding any minimum response time.

1.5 Database Back-Up. We provide no guarantee that a back-up of system data will be maintained by Company. The CRM provider may have a cloud backup that they maintain, but no guarantee is provided of this.

1.6 Other Services. Unless separately agreed upon by the parties, the services provided by Company hereunder are expressly limited to CRM system setup and onboarding only.

2. PROPRIETARY RIGHTS

Company owns all right, title and interest (including copyright and other proprietary or intellectual property rights) to and in the customer contact database contained within the CRM system, other Company facilities and Company internet sites.

Customer shall unconditionally protect all items which Company has an ownership interest in from disclosure or use other than as expressly permitted by this Agreement. The parties hereto agree that the violation of this provision by Customer shall result in substantial and irreparable damage to Company for which damage a remedy at law shall not be adequate and Company shall be entitled to injunctive relief, both mandatory and restraining, in addition to any other rights and remedies of Company under this Agreement and at law or in equity.

3. NO DATA SECURITY

Internet data transmission is not secure. Company may use, copy, display, store, transmit, translate, rearrange, or reformat, view, and distribute the transmitted data of the CRM for technical operation purposes. No assurance is given as to privacy/security of any data, in whole or in part.

4. SERVICE FEES

The price for CRM software is set forth in Schedule A. Fees are not refundable once paid. All invoices are due when issued. An interest rate of one and one-half percent (1 1/2%) per month, or the maximum late payment charge permitted by applicable law, whichever is less, is charged upon any unpaid amounts that are in default. Access to the CRM may be suspended or terminated, without notice, at the option of Company, in the event payment is not timely made. Time is of the essence.

5. CUSTOMER RESPONSIBILITY

5.1 Liability/Loss. Customer shall be solely responsible for any liability, loss, or damage in connection with use of the CRM by Customer.

5.2 Data Management. Customer shall be solely responsible for management of data stored on or transmitted by CRM. Such management includes, but is not limited to, backup and restoration of data.

5.3 Security. Customer shall be solely responsible to maintain any security procedures Customer deems appropriate, such as encryption of data, to protect Customer's information.

6. CUSTOMER WARRANTY

Customer warrants to Company that it shall not conduct the following in connection with the CRM:

a. Selling products or services that are unlawful in the location at which the content is posted or received;

b. Incorporating into the CRM any material, text, graphic, sound or animation in any form that, without limitation, may be obscene, defamatory, harassing, grossly offensive, malicious, or that actually or potentially infringes or misappropriates the copyright, trademark, proprietary or other intellectual property right of any person;

c. Posting any content that advocates, promotes, or otherwise encourages violence against any governments, organizations, groups, or individuals or which provides instruction, information, or assistance in causing or carrying out such violence;

d. Posting any content that holds Company, its employees, or shareholders up to public scorn or ridicule;

e. Introducing viruses, worms, harmful code, trojan horses on the internet, and/or using any software or device to interfere or attempt to interfere with the proper functioning of any server or other internet facilities;

f. Harassment, whether through language, frequency, or size of messages;

g. Sending E-Mail to any person who does not wish to receive it;

h. Sending unsolicited bulk mail messages ("**junk mail**" or "**spam**") which, in Company's sole judgment, is disruptive or generates a significant number of user complaints. This includes bulk-mailing of commercial advertising, informational announcements and political tracts;

i. Forwarding or otherwise propagating chain letters and pyramid schemes, whether or not the recipient wishes to receive such mailings;

j. Malicious email, such as "**mailbombing**" or flooding a user or site with very large or numerous pieces of email;�

k. Forging of header information; or

l. Collecting replies to messages sent from another Internet Service Provider where those messages violate this Agreement or the Acceptable Use Policy of that other provider.

7. INDEMNIFICATION

Customer agrees to indemnify, hold harmless and defend Company and its directors, officers, employees, and agents from and against any action, claim, demand, or liability, including reasonable attorneys fees and costs, arising from or relating to the CRM or any acts or omissions of Customer.

8. DISCLAIMER

SERVICES PROVIDED BY COMPANY HEREUNDER ARE PROVIDED WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION OF LIABILITY

9.1 Limitation of Liability. IN NO EVENT SHALL COMPANY NOR ITS THIRD PARTY VENDORS BE LIABLE TO CUSTOMER FOR ANY DIRECT (EXCEEDING THE LESSER OF (A) THE AMOUNT ACTUALLY PAID TO COMPANY UNDER THE AGREEMENT, OR
13. (B) $1,000.00), INDIRECT, PUNITIVE, INCIDENTAL, SPECIAL, CONSEQUENTIAL, TANGIBLE OR INTANGIBLE DAMAGES CUSTOMER MAY INCUR IN CONNECTION WITH ITS USE OF THE CRM, INCLUDING, BUT NOT LIMITED TO DAMAGES FOR LOST REVENUE, LOST PROFITS, LOST USE, LOST GOODWILL (OR SIMILAR FINANCIAL LOSS), ANY PAYMENT MADE TO A THIRD PARTY, BUSINESS INTERRUPTION, LOST INFORMATION OR DATA, COMPUTER INTERRUPTION, COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, LOSS AND DAMAGES RESULTED FROM INTERCEPTION OF THE CRM BY THIRD PARTIES OR RESULTED FROM LEAVING THE CRM VIA A LINKED E-MAIL, EVEN IF COMPANY SHALL HAVE BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES, OR FOR ANY CLAIM BY ANY OTHER PARTY.

9.2 Allocation of Risk. THIS LIMITATION OF DAMAGES PROVISION IS UNDERSTOOD TO BE AN ALLOCATION OF RISK BETWEEN THE PARTIES, WHICH IS COMPLETELY SEPARATE AND INDEPENDENT FROM ALL OTHER PROVISIONS OF THIS AGREEMENT.

10. TERM AND TERMINATION

10.1 Term. This Agreement shall be effective as of the Effective Date, the date the Franchisor signs this Agreement, for a one year terms and shall automatically renew for an additional 1 year period, and shall remain in force, unless otherwise terminated as provided herein.

10.2 Termination. Either party may terminate this Agreement upon prior written notice.

10.3 Survival. In the event of any termination of this Agreement, Sections 3, 4, 7 & 9 and any other section hereof which by its nature should survive, shall survive, and continue in effect and shall inure to the benefit of and be binding upon the parties and their legal representatives, heirs, successors, and assigns.

11. GENERAL TERMS

11.1 Independent Contractor. The relationship between the parties hereto is not that of employment, agency, joint venture, partnership, or any other relationship other than independent contractor only.

11.2 No Waiver. No delay or omission by Company hereto to exercise any right or power occurring upon any noncompliance or default by the other party with respect to any of the terms of this Agreement shall impair any such right or power or be construed to be a waiver thereof. The terms and conditions of this Agreement may be waived or amended only in writing and only by the party that is entitled to the benefits thereof. A waiver by either of the parties hereto of any of the covenants, conditions, or agreements to be performed by the other shall not be construed to be a waiver of any succeeding breach thereof or of any covenant, condition, or agreement herein contained (whether or not the provision is similar). Unless stated otherwise, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either party at law, in equity, or otherwise.

11.3 Governing Law, Jurisdiction & Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to the choice of law provisions thereof. Without limiting the arbitration provision herein, the parties hereto hereby consent to the jurisdiction of the federal and state courts having jurisdiction in San Mateo County, State of California, for any action that may be brought in connection with this Agreement.

11.4 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, any claim based upon a state or federal statute) will be settled by arbitration, before one arbitrator in accordance with the rules of the American Arbitration Association then in effect and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The arbitrator will be selected by the parties, from a panel of attorney arbitrators experienced with the computer industry. Any arbitration shall be held in Burlingame, California, at the offices of the American Arbitration Association. The language of arbitration shall be English. The arbitrator will have no authority to award damages not measured by the prevailing party's actual damages, and may not, in any event, make any relief, finding or award that does not conform to the terms and conditions of this Agreement. The parties shall share equally the costs of the arbitration and each party shall bear its own attorneys' fees unless otherwise expressly authorized in this Agreement. Either party, before or during or after any arbitration, may apply to a court having jurisdiction for a temporary, provisional, or permanent order of relief to protect its interests. Prior to initiation of arbitration, the aggrieved party will give the other party written notice, in accordance with this Agreement, describing the claim and amount as to which it intends to initiate arbitration.

11.5 Severability. If any provision of this Agreement or any word, phrase, clause, sentence, or other portion thereof should be held to be unenforceable or invalid for any reason, then the remaining provisions of this Agreement shall remain in full effect, and such unenforceable or invalid provision or portion thereof shall be modified or deleted in such manner as to best reflect the commercial intent of parties as expressed herein and to render this Agreement as modified legal and enforceable to the maximum extent permitted under applicable laws.

11.6 Notices. Under this Agreement if one party is required or permitted to give notice to the other, such notice shall be deemed given either (a) when transmitted by facsimile; (b) two business days after depositing the notice in the U.S. mail, first-class postage prepaid, if the notice was sent to the last known address of the other party; or
(c) when transmitted by E-Mail.

11.7 No Assignment. Customer may not, without the prior written consent of Company, assign, transfer, subcontract, or sublicense this Agreement or any right/obligation hereunder. Company may assign, transfer, subcontract, or sublicense this Agreement or any right/obligation hereunder.

11.8 Entire Agreement. Each party to this Agreement acknowledges that this Agreement constitutes the entire Agreement of the parties with regard to the subject matters hereof, that this Agreement supersedes all prior or contemporaneous agreements, discussions, or representations, whether oral or written, with respect to the subject matter hereof, and that this Agreement cannot be varied, amended, changed, waived, or discharged except by a writing signed by all parties hereto. Each party to this Agreement further acknowledges that no promises, representations, inducements, agreements, or warranties, other than those set forth herein, have been made to induce the execution of this Agreement by said party, and each party acknowledges that it has not executed this Agreement in reliance on any promise, representation, inducement, or warranty not contained herein.

11.9 Multiple Counterparts. This Agreement may be executed in several counterparts, all of which taken together shall constitute one single Agreement between the parties.

COIT SERVICES, INC., Franchisor:	**FRANCHISEE**:
By:____________________	By:____________________
Its:____________________	Its:____________________
Date:____________________	Date:____________________

14. CRM SOFTWARE AGREEMENT: SCHEDULE A

Description of how the CRM is set up and operated:

Service Fees:

No set-up fee applies.

$ 50 per month per sales team, plus applicable taxes, duties, or levies in connection with the services provided, payable the first day of each month for services thereof.

Pricing is done by how many sales teams are set up in the system. Each location must include at least one sales team, but additional sales teams may be set up at the customers discretion. (Most locations choose to operate as a single sales team.)

Charges are subject to changes to Company's standard rates or charges in effect at the time of each invoice. COIT may increase these fees in the future with notice.

Termination of Service:

In the event Customer terminates, it will not be billed for the next billing period, provided, however, the service fees previously paid will not be refunded.

In the event Company terminates, the service shall remain in effect for the paid period.

EXHIBIT S. LIST OF STATE FRANCHISE REGULATORS & AGENTS FOR SERVICE OF PROCESS

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

STATE FRANCHISE REGULATORS

California

Department of Financial Protection
and Innovation
One Sansome Street Suite 600
San Francisco, CA 941404-4428
1-866-275-2677

Connecticut

Securities & Business Investments Division
Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Florida

Dept. of Agriculture and Consumer Services
Division of Consumer Services
227 N. Burrough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Georgia

Governor's Office of Consumer Affairs
2 Martin Luther King Jr. Drive SE
356 West Tower
Atlanta, GA 30334-4600
(404) 651-8600

Hawaii

Dept. of Commerce & Consumer Affairs
Business Registration Division
1010 Richards Street
Honolulu, HI 96813
(808) 586-2021

Illinois

Office of the Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Securities Division
302 West Washington Street
Room E111
Indianapolis, IN 46204
(317) 232-6681

Kentucky

Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankfort, KY 40602-2000
(502) 573-2200

Louisiana

Office of the Attorney General
Consumer Protection Section
PO Box 94005
Baton Rouge, LA 70804-9005
(225) 326-6460

Maryland

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, MI 48913
(517) 373-7117

Minnesota

Department of Commerce
Registration Division
85 7th Place East, Suite 280,
Saint Paul, MN 55101
(651) 539-1600

Nebraska

Dept. of Banking & Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8222

North Carolina

Department of the Secretary of State
Securities Division
300 N. Salisbury Street
Raleigh, NC 27603-5909
(919) 733-3924

North Dakota

North Dakota Securities Department
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
(401) 462-9587

South Carolina

Secretary of State
1205 Pendleton Street
525 Edger Brown Building
Columbia, SC 29201
(803) 734-1958

South Dakota

Dept. of Labor and Regulations
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-48233

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(513) 475-1769

Utah

Department of Commerce
Division of Consumer Protection
160 East 300 South
P.O. Box 45804
Salt Lake City, UT 84145-0804
(801) 530-6601

Virginia

State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9276

Washington

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 266-1064

AGENTS FOR SERVICE OF PROCESS

California

John G. Price, Esq.,
450 Pacific Avenue, Suite 200,
San Francisco, CA 94133

or

Commissioner of the California Department of Financial Protection and Innovation2101 Arena Blvd, Sacramento CA 95834

Hawaii

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana

Administrative Office of the Secretary of State
201 State House
Indianapolis, IN 46204

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

Minnesota

Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

New York

Secretary of State
99 Washington Avenue
Albany, NY 12231North Dakota

Securities Commissioner
5th Floor, 600 East Boulevard
Bismarck, ND 58505-0510

Rhode Island

Dept. of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910

South Dakota

Division of Securities
Dept. of Labor and Regulations
124 S. Euclid Suite 104
Pierre, SD 57501

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

Washington

Director of Dept. of Financial Institutions
Security Division
150 Israel Rd SW
Tumwater WA 98501

Wisconsin

Commissioner of Securities
101 East Wilson Street
Madison, WI 53703

EXHIBIT T. LIST OF FRANCHISEES

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

COITS SERVICES, INC.
Franchisee List
December 31, 2023

State	City	Last Name	First Name	Address	Phone
AZ	Lake Havasu	Douglass	Patrick	3041 Star Drive	928-758-6500
CA	Modesto	Bakker	Helen	4210 Kiernan Avenue	209-545-2648
CA	Orange County	Moran	Steven	4848 Robson Road	714-540-1532
CA	Riverside	Freire	Jaime	231 E. Alessandro Blvd., A-486	951-534-3074
CA	San Diego	Moran	Steven	4848 Robson Road	714-540-1532
CO	Englewood	Peterson	Steve	2550 South Tejon Street	303-922-9212
DE	Delaware	Fareed	Idrees	130 Hickman Dr., Unit #6	302-322-1099
FL	Fort Lauderdale	Rodriguez	Jeffrey	809 NW 57th Street	954-486-0900
FL	Jacksonville	Bauzon	Ben	5750 118th Street	904-579-3015
FL	Naples	Cajal	Sal	6240 Topaz Court, Ste. 1	904-579-3015
FL	Orlando	Storm	Stan	1721 Ranger Avenue Unit D	386-747-5252
GA	Atlanta	Cleghorne	Will	905 Newcastle Drive	470-538-1219
IL	Chicago	Hurowitz	Merle	8216 Stoney Island	773-721-2020
IN	Indianapolis	Hamed	Jim	4295 West 96th St.	317-483-1166
KY	Louisville	Krish, Sr.	Don	2730 Crittenden Drive	502-636-1401
LA	New Orleans	LeBlanc	Hunter	201 St. Charles Ave., Ste. 114-265	504-218-7713
LA	Baton Rouge	LeBlanc	Hunter	201 St. Charles Ave., Ste. 114-265	504-218-7713
MD	Gaithersburg	Knosp	Jon	9211 Warfield Road	240-505-7858
MO	Kansas City	Mehta	Nikhil	2018 East Prairie Circle	402-342-2648
NC	Greensboro	Adams	Troy	152 Wolfsburg Trail	336-508-8342
NC	Raleigh	Walter	Cory	625 Long Cove Court	919-500-0826
NE	Omaha	Mehta	Nikhil	7614 Park Drive	402-342-2648
NJ	Somerdale	Colino & Topiel	Michael & Lori	609 Grace Street	856-566-0700
NM	Albuquerque	King	Neil	310 Ranchitos Road, Ste. D	505-332-2648
NV	Reno	Fixel	Lonnie	105 E Parr Blvd	775-322-4266
NV	Las Vegas	Smith	Pete	3867 S Valley View Blvd #6	702-510-7708
OH	Akron	Hunsucker	Brad	23580 Miles Road	216-471-5701
OH	Cleveland	Hunsucker	Brad	23580 Miles Road	216-471-5701
OH	Canton	Hunsucker	Brad	23580 Miles Road	216-471-5701
OH	Cincinnati	Krish, Sr.	Don	2730 Crittenden Drive	502-636-1401
OH	Dayton	Krish, Sr.	Don	2730 Crittenden Drive	502-636-1401
OH	Toledo	Wimmers	Frank & Ruth	6061 Telegraph Road, #M1	419-470-1333
OR	Eugene	Melendez	Christopher	1022 Long Ridge Drive	541-852-0030
OR	Portland	Ruiz	Rene	3239 S.E. Hawthorne Blvd.	503-233-5796
PA	Pittsburgh	Sebastian	Don	11575 Frankstown Road	412-241-1880
SC	Fort Mill	Patania	Anthony	3546 Centre Circle	803-548-7862

TN	Cookeville	Desserich	Kim	86 South Willow Street	931-372-0755
TN	Nashville	Fixel	Lonnie	105 E Parr Blvd	775-322-4266
TX	Austin	Pierce	Amber	17008 Whitetail Run	512-829-5084
UT	Salt Lake City	Rowland	Buddy	144 S. 1400 West	801-792-8098
					40
CANADA	Burnaby	Pullan	Brent	3755 Wayborne Drive	604-296-4000
THAILAND	Bang Phli	Vanavisutra	Narong	12/460 Bangna Trad Hwy KM 5	011-662-743-1250
					42

COITS SERVICES, INC.

Franchise Agreements Signed

But Outlet Not Opened

State	City	Last Name	First Name	Address	Phone
TN	Cordova	Williams	Marvin	9774 Woodland Vista Dr.	410-736-1280
FL	Tampa	Haubrich	Scott	6952 Ralston Place Dr. #201	612-298-5400
OH	Columbus	Hunsucker	Brad	23581 Miles Road	216-471-5701

COITS SERVICES, INC.

Franchise Who Left the System

December 31, 2022

State	City	Last Name	First Name	Address	Phone	
AZ	Bullhead City	Lettman	Rich	2921 Friendly Place #3	928-758-6500	Transfer
GA	Atlanta	Jones	Jeff	2784 Sugarloaf Pkwy., #106	678-878-4672	Transfer

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT U. FINANCIAL STATEMENTS

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Combined Statement of Cash Flows
For the five months ended May 31, 2024

	Unaudited
Cash flows from Operations	
Net income (loss)	$ (278,572)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	462,309
Amortization of Right-to-use assets	335,170
Non-cash lease expense	634
(Gain) Loss on sale of fixed assets	(1,177)
Provision for doubtful accounts	(69,705)
Net income after non cash items	448,659
Changes in operating assets and liabilities	
Accounts receivable	(1,419,264)
Accounts receivable, other	79,676
Notes Receivable, net	14,153
Prepaid expenses	101,608
Deposits	(9,378)
Deferred Revenue	18,281
Accounts payable	(45,531)
Operating lease liabilities	(339,270)
Income taxes payable	(107,510)
Accrued expenses and other liabilities	(330,535)
Net cash provided by (used in) operating activities	(1,589,111)
Investing Activities	
Proceeds from sale of fixed assets	5,000
Collection on Note Receivable - Related Party	5,379
Purchase of fixed assets	(167,721)
Net cash used in investing activities	(157,342)
Financing Activities	
Payments of Finance Lease Obligations	(233,554)
Payments on Note to Shareholder	(21,820)
Net cash provided by (used in) financing activities	(255,374)
Change in cash	(2,001,827)
Cash and Restricted Cash at beginning of the period	5,189,628
Cash and Restricted Cash at end of period	$ 3,187,801

<u>Consolidated Income Statements</u>
Coit Services, Inc.
For the five months ended May 31, 2024

	Unaudited
NET SALES	$ 16,660,193
COST OF SALES	8,258,991
GROSS PROFIT	8,401,202
	49.36%
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,814,876
PROFIT FROM OPERATIONS	(413,674)
OTHER INCOME (EXPENSES)	
Interest Income	90,536
Interest Expense	(64,944)
Gain on Property Sale	1,177
TOTAL OTHER INCOME (EXPENSES)	26,769
INCOME BEFORE TAXES	(386,905)
BENEFIT FROM INCOME TAXES	(108,333)
NET INCOME	$ (278,572)

Consolidated Balance Sheets
Coit Services, Inc.
May 31, 2024

		Unaudited
CURRENT ASSETS		
	Cash and Cash Equivalents	$ 1,774,095
	Accounts Receivable - Trade	5,808,935
	Allowance for Doubtful Accounts	(1,171,956)
	Other Receivables	83,832
	Notes Receivable	247,790
	Allowance for Doubtful Accounts	(229,000)
	Notes Receivable - Related Party	12,926
	Prepaid Expenses	501,069
	Deposits and Other Current Assets	23,184
	TOTAL CURRENT ASSETS	7,050,875
PROPERTY AND EQUIPMENT		
	Property and equipment	16,886,306
	Accumulated depreciation	(13,396,115)
		3,490,191
RIGHT TO USE ASSET - OPERATING LEASES, NET		
	Right to Use Asset	5,551,366
	Accumulated Amortization	(1,943,715)
		3,607,651

OTHER ASSETS

Restricted Cash	1,413,706
Goodwill	862,705
Notes Receivable	256,956
Allowance for Doubtful Notes Non-Current	(66,000)
Notes Receivable - Related Party	15,207
Cash Surrender Value of Officer's Life Insurance	332,047
Deposits and Other Assets	305,600
Deferred Tax Asset	1,604,000
TOTAL OTHER ASSETS	4,724,221
TOTAL ASSETS	$ 18,872,938

COIT SERVICES, INC.

LIABILITIES AND STOCKHOLDERS' EQUITY

	Unaudited
CURRENT LIABILITIES	
Accounts Payable	$ 1,392,930
Accrued Liabilities	2,023,323
Note Payable - Stockholder	52,946
Obligation under Finance Leases	556,903
Lease Liability, Current	693,206
Income Taxes Payable	(95,813)
Deferred Revenue	95,226
Deferred Gain ERC	5,996,136

TOTAL CURRENT LIABILITIES	10,714,85 7
LONG-TERM LIABILITIES	
Note Payable - Stockholder Non Current	2,360,934
Other liabilties Non Current	550,000
Lease Liability Non Current	3,072,578
Deferred Revenue	366,642
Obligations under Finance Leases	982,938
TOTAL LONG-TERM LIABILITIES	7,333,092
TOTAL LIABILITIES	18,047,94 9
STOCKHOLDERS' EQUITY	
Common Stock	5,652
Additional Paid-in Capital	32,025
Retained Earnings	1,065,884
Current year income	(278,572)
TOTAL STOCKHOLDERS' EQUITY	824,989
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 18,872,93 8

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31,
2023, 2022, and 2021

COIT SERVICES, INC. AND SUBSIDIARIES

Years Ended December 31,
2023, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
OF COIT SERVICES, INC.

Opinion

We have audited the consolidated financial statements of COIT SERVICES, INC. AND SUBSIDIARIES (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2023, 2022 and 2021, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Mayer Hoffman McCann P.C.
44 Montgomery St., Suite 1000
San Francisco, CA 94104

Phone: 415.397.4444
Fax: 415.981.0898
mhmcpa.com

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann P.C.

San Francisco, California
June 28, 2024

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,793,164	$ 2,185,678
Accounts Receivable - Trade, Net of Allowance for Credit Losses of $1,241,661 and $586,244 as of December 31, 2023 and 2022, Respectively	3,148,010	3,088,574
Other Receivables	163,507	87,109
Notes Receivable, Current Portion and Net of Allowance for Credit Losses of $229,000 as of December 31, 2023	18,790	176,165
Note Receivable - Related Party, Current Portion	12,926	12,868
Prepaid Expenses	602,677	880,917
Deposits and Other Current Assets	21,648	15,803
Refundable Income Tax	-	12,613
TOTAL CURRENT ASSETS	7,760,722	6,459,727
PROPERTY AND EQUIPMENT, NET	3,788,602	2,849,310
RIGHT-OF-USE ASSETS - OPERATING LEASES, NET	3,943,455	4,489,799
OTHER ASSETS		
Restricted Cash	1,396,464	-
Goodwill	862,705	862,705
Notes Receivable, Net of Current Portion and Allowance for Credit Losses of $66,000 and $55,000 as of December 31, 2023 and 2022, Respectively	205,109	367,884
Note Receivable - Related Party, Net of Current Portion	20,586	33,512
Cash Surrender Value of Officer's Life Insurance	332,047	318,229
Deposits and Other Assets	297,759	293,877
Deferred Tax Assets, Net	1,604,000	781,000
TOTAL OTHER ASSETS	4,718,670	2,657,207
TOTAL ASSETS	$ 20,211,449	$ 16,456,043

See accompanying notes to the consolidated financial statements.

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2023	December 31, 2022
CURRENT LIABILITIES		
Accounts Payable	$ 1,438,461	$ 1,255,217
Accrued Expenses and Other Current Liabilities	2,253,858	2,329,358
Deferred Revenue, Current Portion	95,226	70,161
Income Taxes Payable	11,698	-
Note Payable - Stockholder, Current Portion	52,946	51,000
Deferred Gain from Employee Retention Tax Credit	5,996,136	-
Finance Lease Liabilities, Current Portion	556,903	245,164
Operating Lease Liabilities, Current Portion	771,673	789,832
TOTAL CURRENT LIABILITIES	11,176,901	4,740,732
LONG-TERM LIABILITIES		
Note Payable - Stockholder, Net of Current Portion	2,382,754	2,435,700
Finance Lease Liabilities, Net of Current Portion	1,216,492	630,530
Operating Lease Liabilities, Net of Current Portion	3,333,380	3,866,684
Other Liabilities	650,000	350,000
Deferred Revenue, Net of Current Portion	348,361	281,733
TOTAL LONG-TERM LIABILITIES	7,930,987	7,564,647
TOTAL LIABILITIES	19,107,888	12,305,379
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock - Voting, $0.001 Par Value, 15,000,000 Shares Authorized; 5,651,701 Shares Issued and Outstanding	5,652	5,652
Common Stock - Nonvoting, $0.001 Par Value, 5,000,000 Shares Authorized; Nil and 200,000 Shares Issued and Outstanding as of December 31, 2023 and 2022, Respectively	-	200
Additional Paid-in Capital	32,025	279,825
Note Receivable from Stockholder for Nonvoting Shares	-	(248,000)
Retained Earnings	1,065,884	4,112,987
TOTAL STOCKHOLDERS' EQUITY	1,103,561	4,150,664
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,211,449	$ 16,456,043

See accompanying notes to the consolidated financial statements.

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2023	2022	2021
NET SALES	$ 35,849,813	$ 35,381,972	$ 36,382,843
COST OF SALES	18,225,124	16,760,312	16,263,639
GROSS PROFIT	17,624,689	18,621,660	20,119,204
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	21,553,795	18,759,776	19,063,340
INCOME (LOSS) FROM OPERATIONS	(3,929,106)	(138,116)	1,055,864
OTHER INCOME (EXPENSE)			
Interest Income	209,210	113,293	114,706
Interest Expense	(140,943)	(112,047)	(252,905)
Gain on Sale of Property and Equipment	17,736	7,166	159,880
Goodwill Impairment Loss	-	(5,000)	-
Forgiveness of Paycheck Protection Program Loan	-	-	3,962,131
Other Income (Expense)	-	(4,105)	24,747
TOTAL OTHER INCOME (EXPENSE)	86,003	(693)	4,008,559
INCOME (LOSS) BEFORE PROVISION FOR (BENEFIT FROM) INCOME TAXES	(3,843,103)	(138,809)	5,064,423
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(796,000)	214,000	156,000
NET INCOME (LOSS)	$ (3,047,103)	$ (352,809)	$ 4,908,423

See accompanying notes to the consolidated financial statements.

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Years Ended December 31, 2023, 2022, and 2021

	Common Stock		Additional Paid-in Capital	Note Receivable from Stockholder for Nonvoting Shares	Retained Earnings (Accumulated Deficit)	Total
	Voting	Nonvoting				
Balance at January 1, 2021	$ 5,652	$ 200	$ 279,825	$ (248,000)	$ (442,627)	$ (404,950)
Net Income	-	-	-	-	4,908,423	4,908,423
Balance at December 31, 2021	5,652	200	279,825	(248,000)	4,465,796	4,503,473
Net Loss	-	-	-	-	(352,809)	(352,809)
Balance at December 31, 2022	5,652	200	279,825	(248,000)	4,112,987	4,150,664
Repurchase of Stock	-	(200)	(247,800)	248,000	-	-
Net Loss	-	-	-	-	(3,047,103)	(3,047,103)
Balance at December 31, 2023	$ 5,652	$ -	$ 32,025	$ -	$ 1,065,884	$ 1,103,561

See accompanying notes to the consolidated financial statements.

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss)	$ (3,047,103)	$ (352,809)	$ 4,908,423
Adjustments to Reconcile Net Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	550,158	516,516	506,451
Amortization of Right-of-Use Assets - Finance Leases	375,915	103,757	-
Non-Cash Lease Expense	801,377	804,828	-
Forgiveness of Paycheck Protection Program Loan	-	-	(3,962,131)
Provision for Credit Losses	997,401	123,704	100,436
Gain on Disposition of Property and Equipment	(17,736)	(7,166)	(159,880)
Impairment Loss on Goodwill and Intangible Assets	-	5,000	-
Deferred Rent	-	-	12,205
Deferred Income Tax Provision	(823,000)	203,000	149,000
(Increase) Decrease in Operating Assets:			
Accounts Receivable - Trade	(816,837)	(1,034,083)	(85,775)
Other Receivables	(76,398)	(31,419)	34,407
Notes Receivable	22,669	183,076	54,448
Prepaid Expenses	278,240	(307,094)	(39,569)
Deposits and Other Assets	(9,727)	32,573	70,562
Refundable Income Tax	12,613	(12,613)	595,426
Cash Surrender Value of Officer's Life Insurance	(13,818)	(14,304)	(13,709)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	183,244	79,567	72,468
Accrued Expenses and Other Liabilities	224,500	(461,743)	164,076
Deferred Gain from Employee Retention Tax Credit	5,996,136	-	-
Operating Lease Liabilities	(806,496)	(801,560)	-
Deferred Revenue	91,693	(29,587)	31,450
Income Taxes Payable	11,698	(1,830)	(46,775)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,934,529	(1,002,187)	2,391,513
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property and Equipment	(550,291)	(545,955)	(658,697)
Proceeds from Sale of Property and Equipment	21,847	10,100	208,326
Collection on Notes Receivable - Related Party	12,868	12,811	12,753
Collection on Notes Receivable from Sales of Service Territories	57,481	122,763	135,903
NET CASH USED IN INVESTING ACTIVITIES	$ (458,095)	$ (400,281)	$ (301,715)

See accompanying notes to the consolidated financial statements.

COIT SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years Ended December 31, 2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings on Notes Payable - Stockholders	$ -	$ -	$ 65,082
Payments of Notes Payable - Related Party	-	-	(1,200,000)
Payments of Notes Payable - Stockholders	(51,000)	(370,427)	(81,409)
Payments Under Finance Lease Obligations	(421,484)	(115,326)	-
NET CASH USED IN FINANCING ACTIVITIES	(472,484)	(485,753)	(1,216,327)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	3,003,950	(1,888,221)	873,471
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,185,678	4,073,899	3,200,428
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 5,189,628	$ 2,185,678	$ 4,073,899
NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES			
Conversion of Accounts Receivable to Notes Receivable	$ -	$ 24,202	$ 419,981
Refinance of Note Payable to Stockholder	$ -	$ -	$ 2,580,000
Issuance of Credit for Reacquisition of Franchise Rights	$ -	$ -	$ 60,000
Cancellation of Payable to Franchisee and Write-off of Intangible Asset	$ -	$ 50,000	$ -
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	$ 1,319,185	$ 991,020	$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 255,033	$ -	$ -
Repurchase of Stock in Exchange for Note Receivable from Stockholder	$ 248,000	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Operating Activities Include Cash Paid for:			
Interest	$ 140,943	$ 112,047	$ 252,905
Income Taxes	$ 22,129	$ 25,492	$ 56,856
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			
Operating Cash Flows from Finance Leases	$ 45,010	$ 11,251	$ -
Operating Cash Flows from Operating Leases	$ 878,019	$ 877,917	$ -
Financing Cash Flows from Finance Leases	$ 421,484	$ 115,326	$ -
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH PRESENTED IN THE CONSOLIDATED BALANCE SHEETS			
Cash and Cash Equivalents	$ 3,793,164	$ 2,185,678	$ 2,473,627
Restricted Cash	1,396,464	-	1,600,272
Total Cash, Cash Equivalents and Restricted Cash	$ 5,189,628	$ 2,185,678	$ 4,073,899

NOTE 1 – ORGANIZATION

Coit Services, Inc. ("Coit"), incorporated in California on December 30, 1966, and its subsidiary companies (collectively, the "Company") provide specialized high-quality residential and commercial cleaning services as well as disaster restoration services to customers in the United States. Cleaning services currently include the cleaning of window coverings, carpets, area rugs, upholstery, wood floors, hard surfaces, concrete and air ducts. The Company has forty-two authorized independent franchises in operation serving fifty-nine cities in the United States, Canada and Thailand as of December 31, 2023. These franchisees are authorized to use the Company's name in exchange for initial and continuing franchise fees.

NOTE 2 – LIQUIDITY

The Company's sales volume has been suppressed since 2020, due primarily to the COVID-19 pandemic which had an overall negative impact on economic activity across a broad range of industries. The Company incurred losses from operations of $3,929,106 and $138,116 in 2023 and 2022, respectively. Operating losses were incurred due to labor shortages, increases in labor costs, supply chain disruptions, credit losses, and professional service fees incurred in applying for government support, discussed below, among others.

To address the adverse impact of the pandemic the Company received funding from government support programs. Cash generated by operating activities in 2023, included $5,996,136 of funding the Company received under the Employee Retention Credit government support program. In 2021, the Company recognized gains of $3,962,131 from funding under the Paycheck Protection Program (see Note 13). These government sponsored programs were made available to businesses to offset the adverse impact of the pandemic. Qualification to receive support under these programs includes criteria which are subjective. Payments received under the Employee Retention Credit program are subject to audit and, accordingly, there can be no assurance that the Company will not have to return amounts received until such time this uncertainty is resolved, either through audit or expiration of the statute of limitations. Accordingly, the Company has recorded proceeds from the Employee Retention Credit as a deferred gain included in current liabilities until such time as this uncertainty is resolved. While the income recognition criteria were not met at December 31, 2023, management does not expect to repay $5,996,136 of the funding under the Employee Retention Credit program the Company received within one year from the date that the consolidated statements are issued. Accordingly, this funding received has not been considered as a cash outflow within one year from the date that the consolidated statements are issued in the Company's liquidity assessment.

NOTE 2 – LIQUIDITY (Continued)

Based on the Company's current financial position, the waning impact of the pandemic, and the Company's forecast of operations, management believes the Company will have sufficient resources to meet its cash flow needs for at least one year after the date that the consolidated financial statements are issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Company's consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation – The consolidated financial statements include the accounts of Coit Services, Inc. and the following wholly owned subsidiaries:

- Superior/COIT Inc. (Incorporated in Washington on May 7, 2003)
- Coit Services Washington, Inc. (Incorporated in Washington on November 12, 1998)
- COIT, Inc. (Incorporated in Texas on August 16, 1983)
- Coit Services Minnesota, Inc. (Incorporated in Minnesota on September 25, 2012)
- Coit Services CV, Inc. (Incorporated in California on December 17, 2013)
- Coit Services NB, Inc. (Incorporated in California on March 24, 2014)

All significant intercompany accounts and transactions have been eliminated from these consolidated financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Recent Accounting Pronouncement – Effective January 1, 2023, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade accounts receivable and notes receivable. Management has determined the impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash – The Company has two Certificates of Deposit with JPMorgan Chase Bank, N.A. to serve as security for a standby letter of credit under an agreement with JPMorgan Chase Bank, N.A. (Note 11) under a workers' compensation insurance program. The balance as of December 31, 2023 was $1,396,464.

Accounts Receivable – The Company extends credit to its customers for sale of services and to its franchisees for franchise fees in the normal course of business. The Company performs ongoing credit evaluations of its customers and, generally, requires no collateral from its customers. The Company establishes an allowance for credit losses equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience, current economic conditions and a review of the current status of all accounts receivable. Accounts are written off by charging the allowance for credit losses when it has been determined that all available collection avenues have been exhausted. Accounts receivable are presented net of an allowance for credit losses of $1,241,661 and $586,244 as of December 31, 2023 and 2022, respectively. Provision for credit loss expense (recovery) amounted to $757,401, $283,705, and ($89,564) for the years ended December 31, 2023, 2022, and 2021, respectively.

Unbilled receivables represent revenue earned in the current period but not billed to the customer until future dates. Unbilled receivables of $782,883 and $616,215 are included in Accounts Receivable – Trade as of December 31, 2023 and 2022, respectively, on the consolidated balance sheets.

Notes Receivable – Notes receivable are stated at their estimated net realizable value. The notes receivable bear interest based on prevailing market rates ranging from 8.50% to 10.00% per annum with payment terms ranging from 2 to 10 years at December 31, 2023. The Company establishes an allowance for anticipated credit losses on notes receivable equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience, current economic conditions and a review of the current status of all notes receivable. Notes receivable are presented net of an allowance for anticipated credit losses of $295,000 and $55,000 as of December 31, 2023 and 2022, respectively. Provision for credit loss expense (recovery) amounted to $240,000, ($160,000), and $190,000 for the years ended December 2023, 2022, and 2021, respectively.

Prepaid Expenses – Prepaid expenses are advance payments for products or services that will be used in operations generally during the next 12 months (Note 6).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and Improvements	3 to 20 years
Machinery and Equipment	2 to 15 years
Vehicles	2 to 10 years
Computer Equipment and Software	2 to 10 years
Furniture and Fixtures	4 to 10 years

Leasehold improvements are amortized on the straight-line basis over the shorter of their estimated useful life or the lease term. Upon retirement or sale, the cost of assets disposed of and the accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. Repair and maintenance costs are expensed as incurred.

Goodwill and Intangible Assets – The Company accounts for goodwill and intangible assets in accordance with the *Intangibles – Goodwill and Other* topic of the FASB Accounting Standards Codification ("ASC"). Goodwill represents the excess of cost over the estimated fair values of net identifiable tangible and intangible assets of acquired business operations or companies. Goodwill is not amortized.

Intangible assets primarily represent customer lists, franchise rights and noncompete agreements acquired in conjunction with business acquisitions. Intangible assets are stated at cost, net of accumulated amortization. Management has determined that all intangible assets have finite lives and, therefore, are being amortized on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 15 years.

Impairment of Long-Lived Assets – The Company recognizes impairment losses on property and equipment and intangible assets, other than goodwill, whenever events and changes in circumstances indicate impairment may have occurred and undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of the assets. The impairment loss is then based on the excess of the carrying amount over the estimated fair value of the assets.

The Company evaluates the recoverability of goodwill during the fourth quarter of each year and between annual evaluations whenever events or changes in circumstances indicate that the carrying value of goodwill may have been impaired.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets (Continued) – Management performs qualitative assessments at each year end to determine if a quantitative assessment is required for components of goodwill. The estimated fair value of the relevant reporting unit is compared to its carrying value. If the estimated fair value exceeds the carrying value of the unit's net assets, then goodwill is not considered impaired. If the carrying value of the net assets exceeds the unit's estimated fair value, an impairment loss is recorded based on the excess of the carrying value of the reporting unit's net assets over the unit's estimated fair value limited to the total amount of goodwill allocated to that unit.

The Company's evaluation of goodwill resulted in a goodwill impairment loss of $5,000 for the year ended December 31, 2022. There were no impairment losses for the years ended December 31, 2023 and 2021.

Workers' Compensation and Medical Insurance Claims Liabilities – Under the terms of the Company's workers' compensation insurance policy and medical insurance program, the Company is liable for a portion of the claims, up to certain limits (Note 10). Insurance reserves are established for estimates of the loss that the Company will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. Recorded balances are based on reserve levels, which incorporate historical loss experience and judgments about the present and expected levels of cost per claim.

Deferred Gain from Employee Retention Tax Credit – The Company has elected to account for its participation in the Employee Retention Tax Credit program as first enacted under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and as updated by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, the American Rescue Plan Act of 2021, enacted March 11, 2021, or the Infrastructure Investment and Jobs Act, enacted November 15, 2021 (collectively the "ERC"), under International Accounting Standard 20, *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20"). Under IAS 20, an entity must have reasonable assurance that all of the conditions of the ERC are met to recognize a receivable or income. These conditions were not met and the Company recognized the deferred liabilities for the ERC credits received of $5,996,135 as of December 31, 2023.

Leases – The Company leases operating facilities in Burlingame, Union City, Santa Rosa and Sacramento, California, and in Minneapolis, Minnesota and Woodinville, Washington. The Company also leases vehicles and software. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities on the consolidated balance sheet. Finance leases are included in property and equipment, net and finance lease liabilities on the consolidated balance sheet.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued) – ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at the lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Certain leases that effectively transfer the benefit of ownership to the underlying assets are accounted for as a finance lease. The asset and related finance lease obligation liability are recorded at an amount equal to the present value of the minimum lease payments. The asset is depreciated using the straight-line method over the shorter of the related lease term or the asset's economic life. Interest expense relating to the lease liability is recognized to result in a constant rate of interest over the term of the lease.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company has lease agreements with lease and non-lease components. For operating facilities leases, the Company accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Prior to January 1, 2022, the Company accounted for its leases as operating leases and accordingly, related rentals were charged to expense on a straight-line basis over the lease term. Rent expense under operating leases which contained specified future rent increases was recorded on a straight-line basis over the lease term. The difference between rent expense recorded and the amount paid was charged or credited to deferred rent. In addition, lease incentives such as tenant improvement allowances paid by the landlord under operating lease agreements were recorded as deferred rent and amortized over the lease term.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition – The Company accounts for revenues in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. Revenue is measured based on consideration specified in a contract with a customer, excluding any sales incentives and amounts collected on behalf of third parties, and is recognized as the Company satisfies its performance obligations with its customers.

The Company's revenues are comprised of service revenues of corporate-owned locations and franchise revenue.

Service Revenues

Service revenues of corporate-owned locations are mainly grouped into two categories (1) cleaning services and (2) restoration services.

The Company's cleaning service contracts are generally on a fixed-price basis and the related revenue is recognized as the services are performed.

The Company's restoration service contracts are generally based on either a fixed-price or time and materials basis. For fixed-price contracts, revenue is recognized over time based on a cost-to-cost method tracked on an input basis. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term. Changes in the estimated costs to complete are applied in the period they become known. Revenues from time-and-material contracts are recognized as the work is performed.

Franchise Revenues

Franchise revenues consist primarily of royalties, Branding and Marketing Fund (the "B&M Fund") contributions, initial franchise fees and equipment and supplies sales.

Royalties are calculated as a percentage of franchise monthly revenues over the term of the franchise agreement.

The Company maintains the B&M Fund to raise funds for national advertising for company owned locations ("Divisions") and franchises. Both Divisions and franchises are required to contribute a percentage of their monthly revenues to the B&M Fund. Revenues from Divisions are eliminated in these consolidated financial statements. Contributions from franchises are recognized as revenue to the extent advertising expenses are incurred and contributions in excess of expenses are reflected as a liability. As of December 31, 2023, 2022, and 2021, there was no liability for unexpensed amounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) – Initial and renewal franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Franchise fees from the sale of a franchise which is financed by the Company are generally recognized on a straight-line basis over the term of the respective franchise agreement to the extent cash has been received.

Revenues from equipment and supplies sales to franchisees are recognized upon shipment.

The following summarizes the number of franchises in operation during the year ended December 31:

	Number of Franchises in Operation		
	2023	2022	2021
Beginning of Year:	40	40	38
New	2	-	4
Terminated	-	-	(2)
End of Year	42	40	40

In the following table, revenues are presented based on the categories discussed above for the year ended December 31:

	2023	2022	2021
Service Revenues:			
Cleaning	$ 21,461,606	$ 21,697,139	$ 24,371,172
Restoration	9,465,694	9,104,987	7,519,294
	30,927,300	30,802,126	31,890,466
Franchise Revenues	4,922,513	4,579,846	4,492,377
	$ 35,849,813	$ 35,381,972	$ 36,382,843

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) – In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the year ended December 31:

	2023	2022	2021
Performance obligations satisfied at a point in time	$ 26,295,442	$ 26,184,946	$ 28,773,237
Performance obligations satisfied over time	9,554,371	9,197,026	7,609,606
	$ 35,849,813	$ 35,381,972	$ 36,382,843

Advertising Costs – Total advertising expense amounted to $4,090,074, $3,833,814, and $3,760,018 for the years ended December 31, 2023, 2022 and 2021, respectively.

Income Taxes – The Company recognizes income taxes in accordance with the *Income Taxes* topic of the FASB ASC, which requires an asset and liability approach in accounting for income taxes. The provision for income taxes represents income taxes due for the current period, plus the net change in deferred tax assets and liabilities during the period. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements, as well as for net operating loss and tax credit carryforwards. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided for under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by a company in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Company in its federal and state returns are more likely than not to be sustained upon examination.

Concentrations of Credit Risk – In addition to accounts and notes receivable, financial instruments which expose the Company to concentrations of credit risk include cash, cash equivalents and restricted cash. Substantially all of the Company's cash, cash equivalents and restricted cash at December 31, 2023 and 2022 are on deposit with major U.S. financial institutions that management believes are of high credit quality. Deposits at any point in time may exceed the federally insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement – In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*, which improves the transparency of income tax disclosures by requiring companies to (1) disclose consistent categories and greater disaggregation of information in the effective rate reconciliation and (2) provide information on income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2025, although early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively. The Company is currently evaluating the impact of adopting ASU No. 2023-09 on the consolidated financial statements.

Reclassification – Certain prior year consolidated financial statement amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on previously reported consolidated net income (loss) or stockholders' equity.

NOTE 4 – NOTES RECEIVABLE

Notes receivable consist of the following at December 31:

	2023	2022
Notes Receivable – Franchisees	$ 226,386	$ 244,931
Notes Receivable – Customers	-	4,125
Notes Receivable – Sale of Service Territories	292,513	349,993
	518,899	599,049
Less: Allowance for Credit Losses	(295,000)	(55,000)
Notes Receivable, Net of Allowance for Credit Losses	223,899	544,049
Less: Current Portion	(18,790)	(176,165)
Notes Receivable, Net of Current Portion	$ 205,109	$ 367,884

NOTE 5 – NOTES RECEIVABLE – STOCKHOLDER AND RELATED PARTY

Note Receivable from Stockholder

In connection with the exercise of stock options in September 2015, the Company received a promissory note from the option holder totaling $248,000 bearing interest at 0.54% per annum with interest payable annually and the principal payable in September 2018. In September 2018, the note was amended to extend the maturity date to September 2020 and begin accruing interest at a rate of 2.51% per annum. In April 2020, the note was further amended to extend the maturity date to April 2023 and begin accruing interest at a rate of 0.91%. Interest accrued but unpaid under the promissory note from September 1, 2019 through April 10, 2020 was forgiven by the Company. In July 2020, the note was further amended to extend the maturity date to June 2023 and begin accruing interest at a rate of 0.18%. In May 2022, the note was further amended to extend the maturity date to April 2025 and begin accruing interest at a rate of 0.97%. In December 2023, the promissory note issued amounting to $248,000 plus accrued interest of $4,052 was deemed to be paid in full upon redemption of the 200,000 shares of nonvoting common stock issued in exchange for the promissory note.

The note was secured by the common stock issued upon exercise of the options. The outstanding balance of notes receivable from stockholders of $248,000 is presented as a reduction of stockholders' equity at December 31, 2022.

Note Receivable from Related Party

The Company has a note receivable from an entity owned by a stockholder at December 31, 2023 and 2022 (Note 18) as follows:

	2023	2022
Note Receivable	$ 33,512	$ 46,380
Less: Current Portion	(12,926)	(12,868)
Note Receivable, Net of Current Portion	$ 20,586	$ 33,512

This note matures in July 2026 and bears interest at 0.45% per annum, payable monthly with interest and principal payments of $1,088.

NOTE 6 – PREPAID EXPENSES

Prepaid expenses consist of the following as of December 31:

	2023	2022
Prepaid Insurance	$ 272,033	$ 223,360
Prepaid Supplies	79,440	64,765
Prepaid Consulting Fees	-	302,336
Other Prepaid Expenses	251,204	290,456
	$ 602,677	$ 880,917

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022
Land	$ 447,694	$ 447,694
Buildings and Improvements	3,445,609	3,441,896
Machinery and Equipment	4,555,094	4,299,250
Vehicles	5,486,990	3,940,790
Computer Equipment	1,974,613	1,945,878
Furniture and Fixtures	821,849	819,979
	16,731,849	14,895,487
Less: Accumulated Depreciation and Amortization	(12,943,247)	(12,046,177)
Property and Equipment, Net	$ 3,788,602	$ 2,849,310

Depreciation expense for the years ended December 31, 2023, 2022, and 2021, including depreciation of ROU assets under finance leases as discussed below, amounted to $926,073, $612,273, and $504,451, respectively.

NOTE 7 – PROPERTY AND EQUIPMENT (Continued)

As of December 31, 2023, the ROU assets under finance leases of $2,275,550 and $34,655 and are included in vehicles and computer equipment, respectively, and accumulated depreciation related to these ROU assets amounted to $479,672. As of December 31, 2022, the ROU assets under finance leases of $956,365 and $34,655 are included in vehicles and computer equipment, respectively, and accumulated depreciation related to these ROU assets amounted to $103,757. Depreciation expense related to the ROU assets from finance leases totaled $375,915 and $103,757 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

The carrying amount of goodwill was $862,705 as of December 31, 2023 and 2022. A goodwill impairment loss of $5,000 was recorded for the year ended December 31, 2022 as discussed in Note 3.

Intangible assets other than goodwill consist of the following at December 31:

	2023	2022
Customer Lists	$ 661,488	$ 661,488
Franchise Rights	396,015	396,015
	1,057,503	1,057,503
Less: Accumulated Amortization	(1,057,503)	(1,057,503)
Intangible Assets, Net	$ -	$ -

There was no amortization expense for the intangible assets in 2023. Amortization expense for the intangible assets for the years ended December 31, 2022, and 2021 amounted to $8,000, and $2,000, respectively. The remaining intangible assets of $50,000 were written off during the year ended December 31, 2022.

NOTE 9 – COLLATERAL ASSIGNMENT SPLIT DOLLAR LIFE INSURANCE

The Company has entered into a split dollar life insurance policy on the life of a key employee. The Company is entitled to receive the greater of premiums paid or the cash surrender value on the payout of the policy upon the death of the insured. As of December 31, 2023 and 2022, the cash surrender value of the policy to which the Company is entitled is $332,047, and $318,229, respectively.

NOTE 10 – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following as of December 31:

	2023	2022
Accrued Payroll	$ 753,951	$ 808,487
Accrued Vacation	483,431	491,484
Accrued Workers' Compensation Claims	350,000	350,000
Accrued Medical Insurance Claims	128,355	187,000
Accrued Sales and Use Taxes	114,739	99,883
Other Accrued Liabilities	423,382	392,504
	$ 2,253,858	$ 2,329,358

Long-term Other Liabilities

Long-term other liabilities consist of Accrued Workers' Compensation Claims of $650,000 and $350,000 as of December 31, 2023 and 2022, respectively.

Workers' Compensation

Under the terms of the Company's workers' compensation insurance policy, the Company is liable for any amounts up to $250,000 for each claim or accident with an aggregate annual limit for all claims of $1,725,000. The Company accrues for the estimated liability based on an analysis provided by its insurance broker and considering specific open claims and historical trends. In October 2020, the Company opened a Trust Account with Wells Fargo Bank to serve as security for payment under this program. The amount in the Trust Account at December 31, 2021 was $1,600,272. In March 2022, the amount in the Trust Account was reduced to $1,300,000. In November 2022, the Company closed the Trust Account. At December 31, 2023 and 2022, there was an outstanding standby letter of credit under an agreement with JPMorgan Chase Bank, N.A. amounting to $1,300,000 to serve as security for payment of the Company's obligations under the workers' compensation program (Note 11).

NOTE 10 – ACCRUED EXPENSES AND OTHER LIABILITIES (Continued)

Medical Insurance Plan

Under the terms of the Company's medical insurance program, the Company is liable for any amounts up to $50,000, per claim. All claims are handled by a third-party administrator. The Company accrues for the estimated liability based on an analysis provided by its administrator and considering specific open claims and historical trends. In connection with this medical insurance program, the Company has entered into an agreement to participate in a group captive insurance program.

NOTE 11 – LINE OF CREDIT

On October 26, 2021, the Company entered into a credit facility agreement with JPMorgan Chase Bank, N.A. which provides for a revolving line of credit with maximum borrowings of $1,000,000 and which matured on October 31, 2022. On November 1, 2022, this credit facility agreement was amended to increase the maximum borrowings under the line of credit to $1,300,000 with a maturity date of October 31, 2023. On August 23, 2023, the maturity date was extended to July 31, 2024. Borrowings under the line of credit bear interest charged at variable rates, as defined. Borrowings against the line of credit are collateralized by substantially all of the Company's assets and are guaranteed by one of the stockholders of the Company.

The credit facility also provides for issuance of standby letters of credit up to $1,300,000. The outstanding amount of standby letters of credit issued reduces available borrowings under the line of credit. A standby letter of credit for $1,300,000 has been issued as collateral in connection with the Company's insurance policy for workers' compensation as of December 31, 2023 and 2022 (Notes 10 and 15). There were no borrowings on the line of credit in 2023 or 2022. The Company has two certificates of deposit with JPMorgan Chase Bank, N.A. to serve as security for this standby letter of credit (Note 3).

Under the terms of the credit agreement, the Company was required to comply with various financial covenants, which included maintaining a minimum amount of earnings. On July 3, 2023, the credit facility agreement was amended to omit the financial covenants.

NOTE 12 – NOTES PAYABLE – STOCKHOLDERS AND RELATED PARTY

Notes Payable to Stockholders

Notes payable to stockholders consist of the following at December 31:

	2023	2022
Note payable to stockholder, uncollateralized, payable in monthly installments including principal and interest of $11,948 with a fixed annual interest rate of 3.75%; the remaining unpaid principal and interest is due on May 31, 2031.	$ 2,435,700	$ 2,486,700
Note payable to stockholder for advances, uncollateralized, payable in monthly installments including principal and interest of $2,379, with annual interest at 5.00%; the entire remaining unpaid principal and interest was due on July 31, 2023. This note was paid in full in February 2022.	-	-
Total Notes Payable to Stockholders	2,435,700	2,486,700
Less: Current Portion	(52,946)	(51,000)
Notes Payable to Stockholders, Net of Current Portion	$ 2,382,754	$ 2,435,700

Interest expense under notes with stockholders amounted to $92,381, $101,676, and $174,705, for the years ended December 31, 2023, 2022, and 2021, respectively.

Future principal payments for the notes payable to stockholders are due as follows:

Years Ending December 31,	
2024	$ 52,946
2025	54,966
2026	57,063
2027	59,239
2028	61,500
Thereafter	2,149,986
	$ 2,435,700

NOTE 12 – NOTES PAYABLE – STOCKHOLDERS AND RELATED PARTY (Continued)

Note Payable to Related Party

On June 1, 2017, the Company borrowed $1,200,000 from an entity that is owned by some of the Company's stockholders. In exchange, the Company issued an uncollateralized note payable which had an original maturity date of January 1, 2024, as amended in December 2020, and bore interest at the rate of 8.50%. Interest was due on the first day of each calendar month commencing July 1, 2017, until the maturity date. The full principal balance was due at maturity plus any accrued interest. This note was subordinated to a bank credit agreement. Interest expense under this note amounted to $78,200 for the years ended December 31, 2021. This note was paid in full in October 2021.

NOTE 13 – PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, the Company was granted a loan with Union Bank in the amount of $3,962,131 pursuant to the Paycheck Protection Program ("PPP") set forth in the CARES Act which was enacted March 27, 2020. The loan had an original maturity date of April 30, 2022 and bore interest at a rate of 1% per annum, payable monthly with a deferral of payments for the first six months. Pursuant to the PPP, the loan proceeds were subject to forgiveness to the extent they were spent on qualifying expenses, primarily payroll related costs, during a specified period, as defined. On May 28, 2021, the Company received notice from the SBA that the entire loan amount of $3,962,131 plus accrued interest was forgiven. Accordingly, the Company recognized a gain on loan forgiveness during the year ended December 31, 2021.

NOTE 14 – LEASES

The Company leases operating facilities in Burlingame, California, from two entities owned by two stockholders and leases certain other operating facilities in Union City, Santa Rosa and Sacramento, California, and in Minneapolis, Minnesota and Woodinville, Washington, from non-related parties under operating lease agreements. The Company also has entered into finance leases for its vehicles and software. These leases have remaining lease terms of 9 months to 7 years. As of December 31, 2023 and 2022, ROU assets recorded under finance leases and included in Property and Equipment were $2,310,205 and $991,020, respectively. Accumulated depreciation associated with finance leases was $479,672 and $103,757 as of December 31, 2023 and 2022, respectively.

NOTE 14 – LEASES (Continued)

The components of lease expense consist of the following for the years ended December 31:

	2023	2022
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets Under Finance Leases	$ 375,915	$ 103,757
Interest on Lease Liabilities	45,010	11,251
Operating Lease Cost	875,239	881,186
Variable Lease Cost	161,584	172,309
Total Lease Cost	$ 1,457,748	$ 1,168,503
Weighted Average Remaining Lease Term – Finance Leases	3.35 years	3.71 years
Weighted Average Remaining Lease Term – Operating Leases	6.24 years	6.91 years
Weighted Average Discount Rate – Finance Leases	3.71%	2.83%
Weighted Average Discount Rate – Operating Leases	1.87%	1.53%

The following table reconciles the undiscounted future minimum lease payments under non-cancelable leases with terms of more than one year to the total lease liability recognized on the balance sheet as of December 31, 2023:

Years Ending December 31,	Operating	Finance
2024	$ 840,249	$ 612,426
2025	663,017	581,027
2026	616,997	478,914
2027	619,434	212,900
2028	629,029	-
Thereafter	975,604	-
Total Minimum Lease Payments	4,344,330	1,885,267
Less: Amount of Lease Payments Representing Interest	239,277	111,872
Present Value of Future Minimum Lease Payments	4,105,053	1,773,395
Less: Current Liabilities Under Leases	771,673	556,903
Long-Term Lease Liabilities	$ 3,333,380	$ 1,216,492

NOTE 14 – LEASES (Continued)

Total rent expense incurred on all operating leases amounted to $1,074,654 for the year ended December 31, 2021. Included in these amounts are lease payments for the property owned by two entities owned by two stockholders of $300,000 for the year ended December 31, 2021.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is engaged in certain legal and administrative proceedings in the normal course of its business. While it is not possible to determine the ultimate outcome of these matters at this time, management believes that any liabilities from such proceedings, or claims that are pending or known to be threatened, will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Letter of Credit

As discussed in Note 11, the bank credit facility permits issuance of standby letters of credit for which the Company is contingently liable. Under this agreement, the Company had an outstanding letter of credit for $1,300,000 as required by its workers' compensation insurance provider as of December 31, 2023 and 2022. This letter of credit matures on July 31, 2024.

NOTE 16 – INCOME TAXES

The provision for (benefit from) income taxes for the years ended December 31, consists of the following:

	2023	2022	2021
Current:			
Federal	$ -	$ -	$ -
State	27,000	11,000	7,000
Total	27,000	11,000	7,000
Deferred:			
Federal	(820,000)	(19,000)	371,000
State	(3,000)	222,000	(222,000)
Total	(823,000)	203,000	149,000
	$ (796,000)	$ 214,000	$ 156,000

The difference between the provision for (benefit from) income taxes and the amount computed by applying the statutory federal income tax rates to loss before income taxes for the years ended December 31, 2023 and 2022 is primarily due to state income taxes, revisions of prior year estimates and changes in the deferred tax valuation allowance. The difference between the total provision for income taxes and the amount computed by applying the statutory federal income tax rates to income before income taxes for the year ended December 31, 2021 is primarily due to the forgiveness of the PPP Loan that is not taxable, in addition to state income taxes and revisions of prior year estimates.

NOTE 16 – INCOME TAXES (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

	2023	2022
Deferred Tax Assets:		
Allowance for Credit Losses and Notes Receivable	$ 430,000	$ 180,000
Accrued Liabilities	224,000	126,000
Accrued Insurance Claims	315,000	248,000
Lease Liabilities	-	47,000
Net Operating Loss Carryover	1,653,000	1,090,000
Tax Credit and Other Carryover	27,000	44,000
Total Gross Deferred Tax Assets	2,649,000	1,735,000
Deferred Tax Liabilities:		
Depreciation and Amortization	(650,000)	(485,000)
Lease Liabilities	(1,000)	-
Prepaid Expenses	(173,000)	(248,000)
	(824,000)	(733,000)
Deferred Tax Assets	1,825,000	1,002,000
Valuation Allowance	(221,000)	(221,000)
Deferred Tax Assets, Net	$ 1,604,000	$ 781,000

The Company has federal and California net operating loss carryforwards of approximately $6,260,000 and $4,842,000, respectively, that may be used to offset future regular taxable income. The federal net operating loss can be carried forward indefinitely, while the California net operating loss will expire in years 2040 through 2042.

NOTE 16 – INCOME TAXES (Continued)

In assessing the realizability of deferred tax assets, management believes that, based on a number of factors, it is more likely than not that a portion of deferred tax assets associated with California net operating loss carryforwards will not be utilized, and accordingly, a valuation allowance has been recorded at December 31, 2023. The ultimate realization of deferred tax assets is dependent upon the generation of future income during the periods in which temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Management will continue to assess the realizability of the deferred tax assets based on actual and forecasted operating results.

NOTE 17 – RETIREMENT PLAN

The Company maintains a retirement savings plan for all employees pursuant to Section 401(k) of the Internal Revenue Code. Employees may contribute any whole percentage of their salary, up to 15%, subject to maximum limits allowed under the Internal Revenue Code. Company contributions to the plan are discretionary. The Company contributed $42,710, $38,246, and $38,338 to the plan in 2023, 2022, and 2021, respectively.

NOTE 18 – RELATED PARTY TRANSACTIONS

As described in Note 5, the Company has a note receivable with an entity that is owned by a stockholder.

As described in Note 12, the Company has an uncollateralized note payable to one of its stockholders and an entity that is owned by some of its stockholders.

The Company leases operating facilities in Burlingame, California under a five year lease agreement with two entities owned by two stockholders of the Company. The lease requires monthly rentals of $25,000 and expires in April 2031, including a five-year extension that management is reasonably certain to exercise. The Company pays all taxes, assessments, utilities, insurance and maintenance costs.

The Company makes payments to an entity owned by a stockholder for the usage of an aircraft. The Company pays the expenses related to its usage of the aircraft. The total expense incurred amounted to $157,673, $195,678, and $231,091 for the years ended December 31, 2023, 2022, and 2021, respectively. The Company has also made advances to the entity owned by this stockholder in excess of aircraft usage charges. As of December 31, 2023 and 2022, these advances amounted to $172,102 and $175,041, respectively, and are included in “Deposits and Other Assets” in the consolidated balance sheets.

NOTE 18 – RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2023, the Company entered into a stock redemption agreement with a stockholder to redeem 200,000 shares of nonvoting common stock issued upon the exercise of stock options in September 2015 for $252,052. Upon redemption of these shares, the promissory note received from the stockholder in connection with the issuance of these shares with the principal balance of $248,000 and unpaid interest of $4,052 was deemed to be paid in full (Note 5).

NOTE 19 – RISKS AND UNCERTAINTIES

The Company's results of operations are affected by a variety of factors, including general economic conditions, a competitive market, the unpredictability of fuel costs and compliance with regulatory matters including compliance with environmental laws. The Company's operations may from time to time give rise to claims for personal injury, property damage and other matters. The Company maintains insurance coverage for such claims which management believes is adequate to cover potential losses.

NOTE 20 – SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events on these consolidated financial statements, including disclosures, through June 28, 2024, the date the consolidated financial statements were available to be issued.

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TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

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EXHIBIT W. STATE SPECIFIC ADDENDA

TO THE COIT® FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the California Franchise Relations Act:

Spousal liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. We will comply with all appropriate laws governing any direct financing offered by us to you, including, if applicable, the California Finance Lenders Law.

The maximum rate of interest permitted by California law is 10%. Item 6 is supplemented and amended to provide that the maximum interest rate in California is 10% annually.

California Business and Professions Code Sections 20000 through 22243 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

California Business and Professions Code Sections 20000 through 22243 provide rights to the franchisee concerning the choice of forum for disputes between the franchisee and the franchisor. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a general release if you renew, transfer, or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur in San Francisco, California, with the costs being borne by the prevailing party.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *etseq.).*

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the California Corporations Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

The following URL address is for the franchisor's website: www.coit.com

TH~~E FRANCHISOR'S~~ WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.corp.ca.gov.

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the franchise agreement, or any of their exhibits or attachments, the terms of this addendum control.

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Hawaii Franchise Investment Law:

The following list reflects the status of our franchise registrations in the states which have franchise registration laws:

- This registration is effective in the states of Florida, Indiana, Kentucky, Nebraska, Texas, and Virginia.

- A proposed registration or filing is or will be on file in the states of California, Illinois, Maryland, Michigan, Minnesota, New York, Washington and Wisconsin.

- By order dated June 2, 2008, the Illinois Attorney General denied the registration of these franchises unless the franchisor provided additional financial assurances. There are no other states which have refused, by order or otherwise, to register these franchises.

- There are no states which have revoked or suspended the right to offer these franchises.

The release required as a condition of renewal, assignment, and transfer will not apply to any liability arising under the Hawaii Franchise Investment Law.

To the extent this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Hawaii Franchise Investment Law:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.,* the Franchise Agreement is amended as follows:

(a) The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

(b) A general release required as a condition of the renewal, assignment, or transfer of the Franchise Agreement or the franchise granted thereunder shall not apply to any claim or liability arising under the Hawaii Franchise Investment Law.

2. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:______________________________	By:______________________________
Its:____________________________	Its:____________________________
Date:____________________________	Date:____________________________

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

The Illinois Attorney General's Office has required the deferral of the initial fees based upon our financial condition. Notwithstanding any other provision of the franchise agreement or the disclosure document, you may not pay any initial fees to us or to any affiliate of ours (including, without limitation, initial franchise fees, promissory note payments, branding and marketing fund contributions, and royalties) until we have fulfilled our initial obligations to you under the franchise agreement or other agreements and you have commenced doing business pursuant to the franchise agreement.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.

Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.

Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

The Choice of Forum stated in Item 17v is modified to state that

> *All claims must be brought in San Mateo County, California, or in the County in state of Illinois where your franchise is located.*

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS

The Franchise Agreement to which this addendum is attached and any Addendum for Conversion Franchise Addendum for Acquisition of Competing Business, Addendum for Successor Franchise Addendum for Disaster Restoration Services, Addendum for COIT Stone Restore Services Addendum for COIT Wood Floor Services, Hosting Service Agreement, which may have been entered into by and between the below undersigned parties incident to the execution of the Franchise Agreement (collective referred to as the "Franchise Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Payment of initial fees will be deferred until Franchisor has fulfilled its pre-opening obligations to franchisee, and the franchise has commenced operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

2. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Termination and nonrenewal of the Franchise Agreement must comply with 815 ILCS 705/20.

4. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.

5. Any provision in the Franchise Agreement and Franchise Related Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

6. The representations in section 18.14 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Illinois Franchise Disclosure Act.

7. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement, Related Franchise Agreements, or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement and Related Franchise Agreements in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:____________________	By:____________________
Its:____________________	Its:____________________
Date:____________________	Date:____________________

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INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

THE STATE OF INDIANA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE WHICH RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101.

A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

The franchise agreement does not expressly give you the right to terminate, but Indiana law may give you the right to terminate if we commit a substantial breach of the franchise agreement.

Any provision in the franchise agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

To the extent this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.

4. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:____________________	By:____________________
Its:____________________	Its:____________________
Date:____________________	Date:____________________

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

ITEM 17

The general release required as a condition of renewal, assignment, or transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

You may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Maryland Franchise Registration and Disclosure Law:

1. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Maryland Franchise Regulation and Disclosure Law.

2. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. The representations in section 18.14 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Maryland Franchise Registration and Disclosure Law.

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:______________________	By:______________________
Its:______________________	Its:______________________
Date:______________________	Date:______________________

FOR RESIDENTS OF THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

1. A prohibition on the right of a franchisee to join an association of franchisees.

2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less then 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

8.

(a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(d) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

9. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in paragraph 3 above.

10. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

11. If the Franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000 the Franchisee may request the Franchisor to arrange for the escrow of initial investment and other funds paid by the Franchisee until the obligations, if any, of the Franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Minnesota Franchise Law:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

The Minnesota Department of Commerce requires that the franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.

Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statues 1973 Supplement, Section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes.

Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.

THE STATE OF MINNESOTA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4 AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NON- RENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED. LIQUIDATED DAMAGE PROVISIONS ARE VOID UNDER MINNESOTA LAW.

Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the requirement that all litigation must take place in California shall not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80C.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Minnesota Franchise Law:

1. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

2. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Minnesota Franchise Law.

3. Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.

4. Sections 16.3 and 16.4 are deleted.

5. Section 16.6 does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of Minnesota.

6. The representations contained in section 18.14 of the Franchise Agreement do not act as a release, estoppel, or waiver of any liability arising under the Minnesota Franchise Law.

7. Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchise Agreement does not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes, Chapter 80C. These statutes prohibit Franchisor from requiring litigation to be conducted outside Minnesota, or abrogating or reducing any of Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

8. With respect to franchises governed by Minnesota law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

9. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:______________________________	By:______________________________
Its:______________________________	Its:______________________________
Date:______________________________	Date:______________________________

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum"**, and Item 17(w), titled "**Choice of law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the North Dakota Franchise Investment Law:

Covenants restricting or prohibiting your right to compete after the termination or expiration of your franchise agreement are generally considered unenforceable in the State of North Dakota.

The release required as a condition of renewal and/or assignment/transfer will not apply to any liability arising under the North Dakota Franchise Investment Law.

Any provision of the franchise agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

Any mediation, if necessary, will take place at the American Arbitration Association office nearest your business premises.

Any provision of the franchise agreement requiring you to waive the right to a trial by jury is void.

Any provision of the franchise agreement requiring you to waive exemplary or punitive damages is void.

Any provision of the franchise agreement requiring you to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the North Dakota Franchise Investment Law:

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the North Dakota Franchise Investment Law.

2. Any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

3. Section 15.1 is amended by the addition of the following sentence:

   "Covenants not to compete such as the one described above are generally considered unenforceable in the State of North Dakota."

4. The last sentence of Section 16.1(b) is modified to provide the following:

   "The mediation proceedings will take place at the American Arbitration Association office nearest Franchisee's business Premises."

5. Sections 16.3 and 16.4 are deleted in their entirety.

The parties are signing this addendum simultaneously with the Franchise Agreement to which it is attached.

COIT SERVICES, INC.	BUSINESS ORGANIZATION FRANCHISEE:
By:______________________	By:______________________
Title:______________________	Title:______________________
Date:______________________	Date:______________________

INDIVIDUAL FRANCHISEE:	INDIVIDUAL FRANCHISEE:
______________________	______________________
Signature	*Signature*
Date:______________________	Date:______________________

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Rhode Island Franchise Investment Act:

A condition, stipulation or provision requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this act or a rule or order under this act is void.

A provision is a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Rhode Island Franchise Investment Act.

1. A general release requiring as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Act.

2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:____________________	By:____________________
Its:____________________	Its:____________________
Date:____________________	Date:____________________

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Franchise Agreement and Item 5 is amended as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND RELATED AGREEMENTS

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

Item 5 of the franchise disclosure document is modified to delete the Franchisee Referral Discount Program. Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated ______________________.

______________________________	______________________________
FRANCHISOR	FRANCHISEE

WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW. THE STATE OF WISCONSIN MAY ALSO HAVE COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE RELATIONSHIP IN RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS WHICH RESTRICT THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND STATE AND FEDERAL COURT DECISIONS. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATED THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

We may revoke our approval of any previously approved supplier at any time if the quality of the product or the supplier's financial condition or ability to satisfy your requirements do not continue to meet our satisfaction.

To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Wisconsin Fair Dealership Law:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats., supersedes any inconsistent provisions of the Franchise Agreement.

2. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

COIT SERVICES, INC., **Franchisor:**	FRANCHISEE**:**
By:____________________________	By:____________________________
Its:__________________________	Its:__________________________
Date:__________________________	Date:__________________________

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

The Franchise Disclosure Document is registered on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State Effective Date	State Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

ITEM 23 RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Coit Services, Inc. offers you a franchise, they must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

[New York and Rhode Island require that Coit Services, Inc. give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Coit Services, Inc. give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If Coit Services, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C., 20580, and the appropriate state agency identified on Exhibit S of this disclosure document.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: Bob Kearn (President and CEO), Doug Kitzmiller (CFO), Adam Lieberman (Vice President Franchising), Richard Burton (Director of Franchising), Sara Arlia (Vice President of Marketing), Tyler Kearn (Executive Vice President); and Wesley Coy Perry (Franchise Development Manager) all at Coit Services, Inc., 897 Hinckley Road, Burlingame, California 94010 (800) 243-8797, and:

Issuance Date: June 28, 2024

Our registered agents authorized to receive service of process for us are listed in Exhibit S.

I have received a disclosure document dated June 28, 2024 that included the following Exhibits:

Exhibit A –Franchise Agreement
Exhibit B –Authorization For Electronic Transfer of Funds
Exhibit C –Promissory Note
Exhibit D –Nondisclosure and Noncompetition Agreement
Exhibit E –Continuing Guaranty and Assumption of Obligations
Exhibit F –Telephone/Internet Power of Attorney
Exhibit G –COIT Software License & Support Agreement
Exhibit H –Terms of Use Agreement for COIT Intranet
Exhibit I –Addendum for Conversion Franchise
Exhibit J –Addendum for Successor Franchise
Exhibit K –Addendum for Disaster Restoration Services
Exhibit L –Addendum for COIT Stone Restore Services
Exhibit M -Addendum for COIT Wood Floor Services
Exhibit N -COIT Hosting Service Agreement
Exhibit O –Right of First Refusal
Exhibit P -Contact Center Service Agreement
Exhibit Q –E-Mail Hosting Agreement
Exhibit R Consumer Relations Management (CRM) Software Agreement
Exhibit S List of State Franchise Regulators and Agents for Service of Process
Exhibit T –List of Franchisees
Exhibit U –Financial Statements
Exhibit V –Tables of Contents of Operating Manuals
Exhibit W State specific Addenda

Date	Signature	Print Name
Date	Signature	Print Name

KEEP THIS COPY FOR YOUR RECORDS

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Exhibit W State specific Addenda

Date	Signature	Print Name
Date	Signature	Print Name

Return to: COIT Services, Inc., 897 Hinckley Road, Burlingame, California 94010